

Audits of Less Complex Entities (LCEs)

Proportionality of the ISAs to the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE)

Document 1

This document ('mapping') has been provided to illustrate how the requirements from the International Standards on Auditing (ISAs) have, or have not, been incorporated within the [draft] ISA for LCE. The ISA requirement paragraph numbers refer to the International Auditing and Assurance Standards Board's (IAASB) 2018 Handbook of the ISAs. This document has been prepared by the Staff of the IAASB and is not an authoritative pronouncement of the IAASB. These documents have been prepared to facilitate the review of the [draft] ISA for LCE, therefore they do not form part of the materials on which the IAASB is seeking views.

1. This mapping document details the similarities and differences between the ISAs and the [draft] ISA for LCE for the objectives and requirements,¹ and is presented in the order of the ISAs.
2. Broadly, the following four 'categories' describe how the ISA requirements have been incorporated within the [draft] ISA for LCE:
 - (a) The requirements have been included in the [draft] ISA for LCE "as is."
 - (b) The entire ISA has been omitted (these mapping documents do not include mapping for standards that are not included in the [draft] ISA for LCE, including **ISA 600**,² **ISA 610 (Revised 2013)**³ and **ISA 701**.⁴).
 - (c) Specific requirements within an ISA have been omitted (there is also a brief supporting description explaining the LCE Task Force's⁵ considerations (in the last column of the table)) including:
 - (i) Requirements that address matters or circumstances that would relate to entities that have been specifically excluded for the scope of the [draft] standard (e.g., requirements relating to segment information in ISA 501).
 - (ii) Requirements that address complex matters or circumstances (in line with how the relevant qualitative characteristics in paragraph A.9. in the Authority (Part A) have been described).

¹ Paragraphs for the "Definitions" have not been presented as these are all collated and presented in Appendix 1 to the [draft] ISA for LCE.

² ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³ ISA 610 (Revised 2013), *Using the Work of Internal Auditors*

⁴ ISA 701, *Key Audit Matters in the Independent Auditor's Report*

⁵ This mapping document contains the views of the LCE Task Force, however the IAASB has provided input to these documents as relevant.

- (iii) Requirements, generally, for circumstances which are explained as being “rare” or “exceptional” in the ISAs and, in the view of the IAASB, it is deemed likely not to be encountered given the typical nature and circumstances of an audit of an LCE.
 - (d) Wording of some requirements have been modified or adapted to the nature and circumstances of the audit of an LCE but are expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE (there is also a brief supporting description explaining the LCE Task Force’s considerations (in the last column of the table)).
- 3. The IAASB has also used drafting principles, where appropriate, applied to the ISA requirements when developing the [draft] ISA for LCE. These drafting principles are based on the *Drafting Principles and Guidelines* being developed by the Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group of the IAASB. The drafting principles have been applied in developing a standard that is intended to be proportionate and appropriate to the nature and circumstances of a less complex entity as contemplated by the Authority of the [draft] ISA for LCE.
- 4. ‘Alignment principles’ are used in the table below to explain any differences between the ISAs and the [draft] ISA for LCE and help explain the LCE Task Force’s views as to how or why an ISA requirement has been included, modified or not included in the [draft] ISA for LCE. The alignment principles include:
 - (a) Whether the requirement is relevant to the nature and circumstances of an audit of an LCE, and if not, why not.
 - (b) If applicable, why the requirement has been revised or modified to reflect the nature and circumstances of an audit of an LCE.
 - (c) If applicable, whether any changes made for the purpose of the [draft] ISA for LCE would still result in procedures that would meet the objectives for each Part, and therefore that in aggregate the auditor’s procedures would still enable reasonable assurance to be achieved.
- 5. If a requirement has not been included based on the explanation in (a), then (b) and (c) have not been addressed as there would be no further changes to that requirement. “(c)” is intended to address that the changes in (b) result in requirements that still achieve reasonable assurance.
- 6. A separate paragraph with relevant definitions has been presented within each ISA – all definitions applicable to the [draft] ISA for LCE has been presented in Appendix 1 of the [draft] ISA for LCE – the definitions have therefore not been presented further in these mapping documents.
- 7. Any essential explanatory material added to the [draft] ISA for LCE is presented in the ISA for LCE column (at the end of the relevant ISA) but any corresponding application material from the ISA has not been presented. Consistent with the project proposal, in order to keep the [draft] standard concise and succinct there is limited essential explanatory material. Judgment has been used as to what EEM is included (and broadly reflects the relevant ISA application or other explanatory material). EEM has been included to further explain concepts or procedures in the requirements or why procedures are undertaken, but generally does not explain ‘how’ the procedures should be implemented (e.g., there are no detailed examples).

8. This mapping is set out in the table below and includes:

- Part 1—ISA 200⁶
- Part 2—ISA 230,⁷ ISA 500,⁸ ISA 260 (Revised),⁹
- Part 3—ISA 220 (Revised)¹⁰
- Part 4—ISA 210¹¹ and ISA 510¹²
- Part 5—ISA 300,¹³ ISA 320¹⁴ and ISA 620¹⁵
- Part 6—ISA 315 (Revised 2019)¹⁶
- Part 7—ISA 520¹⁷ and ISA 530¹⁸

Mapping Document 2 includes the ‘mapping’ for the remainder of the ISAs.

9. The requirements in the ISA column reflect the most recently approved ISAs (some of which may not yet be effective), including ISA 540 (Revised), ISA 315 (Revised 2019) and ISA 220 (Revised), and any related conforming and consequential amendments to the ISAs.
10. The Preface in the [draft] ISA for LCE has not been mapped as this is unique to the [draft] ISA for LCE and does not contain requirements.

⁶ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

⁷ ISA 230, *Audit Documentation*

⁸ ISA 500, *Audit Evidence*

⁹ ISA 260 (Revised), *Communication with Those Charged with Governance*

¹⁰ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

¹¹ ISA 210, *Agreeing the Terms of Audit Engagements*

¹² ISA 510, *Initial Audit Engagements—Opening Balances*

¹³ ISA 300, *Planning an Audit of Financial Statements*

¹⁴ ISA 320, *Materiality in Planning and Performing an Audit*

¹⁵ ISA 620, *Using the Work of an Auditor's Expert*

¹⁶ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

¹⁷ ISA 520, *Analytical Procedures*

¹⁸ ISA 530, *Audit Sampling*

| Section | Reference & Heading | | Text | | Comparison |
|--|---------------------------------------|---|---|---|--|
| | ISA | ISA for LCE | ISA | ISA for LCE | |
| ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing | | | | | |
| Effective Date | ISA 200 Paragraph 10 ¹⁹ | Paragraph 1.1.1. Fundamental Concepts, General Principles and Overarching Requirements Effective Date | Each ISA includes the effective date for that ISA. | This [draft] standard is effective for audits of financial statements for periods beginning on or after [XXX]. | In line with the principle in ISA 200, there is a paragraph for the effective date in the [draft] ISA for LCE (Part 1, paragraph 1.1.1.). |
| Objective | ISA 200 Paragraph 11 | Paragraph 1.3.1. Fundamental Concepts, General Principles and Overarching Requirements Overall Objectives of the Auditor | In conducting an audit of financial statements, the overall objectives of the auditor are: (a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling 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) To report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings. | The overall objectives of the auditor when conducting an audit of financial statements using the [draft] 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 (b) Report on the financial statements, and communicate as required by this [draft] ISA for LCE, in accordance with the auditor's findings. | 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the objective be revised or modified for the circumstances of an LCE? Yes – changes to update reference to ISA for LCE rather than the ISAs and to adapt for the lead in. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |

¹⁹ Each ISA has an effective date not included further in the mapping documents as covered by paragraph 1.1.1 in the [draft] ISA for LCE.

| Section | Reference & Heading | | Text | | Comparison |
|--------------|---|--|---|---|--|
| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Objective | ISA 200 Paragraph 12 Overall Objectives of the Auditor | | In all cases when reasonable assurance cannot be obtained and a qualified opinion in the auditor's report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, the ISAs require that the auditor disclaim an opinion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation. | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Already adequately covered by requirements relating to disclaimer of opinions in Part 9. Not achieving the objective of reasonable assurance (paragraph 1.3.1) requires the auditor to modify or withdraw (paragraph 1.3.4).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | ISA 200 Paragraph 14 Ethical Requirements Relating to an Audit of Financial Statements | Paragraph 1.2.1. Fundamental Concepts, General Principles and Overarching Requirements Relevant Ethical Requirements and Firm-Level Quality Management <i>Relevant Ethical Requirements Relating to an Audit of Financial Statements</i> | The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. | The auditor shall comply with relevant ethical requirements, including those pertaining to independence, for financial statement audit engagements. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor modifications to make more direct.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> |

| Section | Reference & Heading | | Text | | Comparison |
|--------------|---|--|---|--|--|
| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | Yes. |
| Requirements | ISA 200 Paragraph 15 Professional Skepticism | Paragraph 1.4.5. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit <i>Professional Skepticism</i> | The auditor shall plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. | 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. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 200 Paragraph 16 Professional Judgment | Paragraph 1.4.4. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit <i>Professional Judgment</i> | The auditor shall exercise professional judgment in planning and performing an audit of financial statements. | The auditor shall exercise professional judgment in planning and performing the audit. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes - as the [draft] ISA for LCE is written in the context of an audit of financial statements, the requirement was modified to remove "of financial statements" to make more direct and succinct in line with the drafting principles. This additional context is highlighted in the title of the [draft] standard and in the preface and is therefore not |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | necessary to continue to repeat throughout. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 200 Paragraph 17 Sufficient Appropriate Audit Evidence and Audit Risk | Paragraph 2.2.1. Audit Evidence and Documentation <i>Sufficient Appropriate Audit Evidence</i> | To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. | To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 200 Paragraph 18 Conduct of an Audit in Accordance with ISAs <i>Complying with ISAs Relevant to the Audit</i> | Paragraphs 1.4.1. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit | The auditor shall comply with all ISAs relevant to the audit. An ISA is relevant to the audit when the ISA is in effect and the circumstances addressed by the ISA exist. | 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. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of the [draft] ISA for LCE (which contains all of the requirements in one standard). Paragraph 1.4.1 addresses the requirement |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>in both paragraphs 18 and 22 of ISA 200.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 200</p> <p>Paragraph 19</p> <p>Conduct of an Audit in Accordance with ISAs</p> <p><i>Complying with ISAs Relevant to the Audit</i></p> | <p>Paragraphs 1.3.2.</p> <p>Fundamental Concepts and General Principles and Overarching Requirements Overall Objectives of the Auditor</p> | <p>The auditor shall have an understanding of the entire text of an ISA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. The requirement has been adapted to the circumstances of the [draft] ISA for LCE. The [draft] ISA for LCE is one standard that does not contain application material (EEM is included within the text of the [draft] standard where relevant to an understanding of the requirement).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | <p>ISA 200 Paragraph 20 Conduct of an Audit in Accordance with ISAs <i>Complying with ISAs Relevant to the Audit</i></p> | <p>Paragraphs 1.4.2. Fundamental Concepts General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit</p> | <p>The auditor shall not represent compliance with ISAs in the auditor's report unless the auditor has complied with the requirements of this ISA and all other ISAs relevant to the audit.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Minor modifications to make relevant to [draft] ISA for LCE, but all aspects of auditor action retained, i.e., the auditor complies with the requirements or does not represent compliance unless requirements have been met.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 200 Paragraph 21 Conduct of an Audit in Accordance with ISAs Objectives Stated in Individual ISAs</p> | <p>Paragraph 1.3.3. Fundamental Concepts, General Principles and Overarching Requirements Overall Objectives of the Auditor</p> | <p>To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant ISAs in planning and performing the audit, having regard to the interrelationships among the ISAs, to:</p> <p>(a) Determine whether any audit procedures in addition to those required by the ISAs are necessary in pursuance of the objectives stated in the ISAs; and</p> | <p>To achieve the overall objectives, the auditor shall use the objectives stated in the relevant Parts in planning and performing the audit, to:</p> <p>(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</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Modifications to make appropriate to nature of [draft] standard and other editorials that do not change the outcome of the required action.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | (b) Evaluate whether sufficient appropriate audit evidence has been obtained. | (b) Evaluate whether sufficient appropriate audit evidence has been obtained. | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 200</p> <p>Paragraph 22</p> <p>Conduct of an Audit in Accordance with ISAs Complying with Relevant Requirements</p> | <p>Paragraphs 1.4.1.</p> <p>Fundamental Concepts, General Principles and Overarching Requirements</p> <p>Fundamental Concepts and General Principles for Performing the Audit</p> | <p>Subject to paragraph 23, the auditor shall comply with each requirement of an ISA unless, in the circumstances of the audit:</p> <p>(a) The entire ISA is not relevant; or</p> <p>(b) The requirement is not relevant because it is conditional and the condition does not exist.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. The requirement has been adapted to the circumstances of the [draft] ISA for LCE. The [draft] ISA for LCE is one standard with multiple requirements and does not consist of multiple ISAs. Minor modification to the requirement to improve its readability by using “relevant” so “exceptional circumstances” does not have to be referenced specifically. All aspects of the auditor action are retained. Paragraph 1.4.1 addresses both paragraphs 18 and 22 of ISA 200.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | <p>ISA 200 Paragraph 23 Conduct of an Audit in Accordance with ISAs Complying with Relevant Requirements</p> | <p>Paragraph 1.4.3. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit</p> | <p>In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit 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.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 200 Paragraph 24 Conduct of an Audit in Accordance with ISAs Failure to Achieve an Objective</p> | <p>Paragraph 1.3.4. Fundamental Concepts, General Principles and Overarching Requirements Overall Objectives of the Auditor</p> | <p>If an objective in a relevant ISA 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, in accordance with the ISAs, to 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 in accordance with ISA 230.</p> | <p>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:</p> <p>(a) Modify the terms of engagement and perform the audit and report in accordance with the International Standard on Auditing; or</p> <p>(b) Modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of the [draft] ISA for LCE within the different Parts of the [draft] standard rather than with reference to the individual ISAs. All aspects of the auditor action are retained. An additional reference to perform an audit under the ISAs is included for</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p>under applicable law or regulation).</p> <p>Failure to achieve an objective represents a significant matter requiring documentation.</p> | <p>circumstances where this may be relevant (e.g., where the objectives in the [draft] ISA for LCE cannot be met.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Application Material | ISA 200 Paragraphs A56 | With Paragraph 1.1.1. Fundamental Concepts, General Principles and Overarching Requirements Effective Date | | <i>The auditor is permitted to apply this [draft] standard, if not prohibited by law or regulation, before the effective date specified.</i> | Essential Explanatory Material |
| Application Material | ISA 200 Paragraphs A73 | With Paragraph 1.3.3. Fundamental Concepts, General Principles and Overarching Requirements Overall Objectives of the Auditor | | <p><i>The auditor is required to use the objectives to evaluate whether sufficient appropriate audit evidence has been obtained in the context of the overall objectives of the auditor. If as a result the auditor concludes that the audit evidence is not sufficient and appropriate, then the auditor may follow one or more of the following approaches:</i></p> <ul style="list-style-type: none"> • <i>Evaluate whether further relevant audit evidence has been, or will be, obtained;</i> • <i>Extend the work performed in applying one or more requirements; or</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <ul style="list-style-type: none"> Perform other procedures judged by the auditor to be necessary in the circumstances. | |
| Application material | ISA 200 Paragraph A25-A29 | With Paragraph 1.4.4. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit <i>Professional Judgment</i> | - | <p><i>Professional judgment is essential to the proper conduct of an audit. This is because interpretation of relevant ethical requirements and this [draft] standard and the informed decisions required throughout the audit cannot be made without the application of relevant knowledge and experience to the facts and circumstances.</i></p> <p><i>The distinguishing feature of the professional judgment expected of an auditor is that it is exercised by an auditor whose training, knowledge and experience have been sufficiently developed to achieve the necessary competencies for reasonable judgments.</i></p> <p><i>The exercise of professional judgment in any particular case is based on the facts and circumstances that are known to the auditor.</i></p> <p><i>Significant professional judgments made in reaching conclusions on significant matters arising during the audit</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <i>is required to be documented in accordance with the requirements of Part 2 of this [draft] standard.</i> | |
| Application Material | ISA 200 Paragraphs A20, A22 and A24 | With Paragraph 1.4.6. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit <i>Professional Skepticism</i> | - | <p><i>Professional skepticism includes being alert to, for example:</i></p> <ul style="list-style-type: none"> • <i>Audit evidence that contradicts other audit evidence obtained.</i> • <i>Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence.</i> • <i>Conditions that may indicate possible fraud.</i> • <i>Circumstances that suggest the need for audit procedures in addition to those required by the [draft] ISA for LCE.</i> <p><i>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</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>evidence obtained in the light of the circumstances.</i></p> <p><i>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.</i></p> | |
| Application Material | ISA 200 Paragraphs A31-A33 | With Paragraph 2.2.2. Audit Evidence and Documentation Sufficient Appropriate Audit Evidence | - | <p><i>Sufficiency is the measure of the quantity of audit evidence, and is affected by the auditor's risks of material misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also the quality of the audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate if it is of poor quality.</i></p> <p><i>Appropriateness is the measure of the quality of the audit evidence, that is its relevance and reliability in providing</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
|---------------------------------------|---------------------|--|------|---|--|
| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>support for the conclusions on which the auditor's opinion is based. The reliability of audit evidence is influenced by its source and by its nature, and dependent on the individual circumstances under which it is obtained.</i></p> <p><i>Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence. Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level, and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion, is a matter of professional judgment.</i></p> | |
| Essential Explanatory Material | - | <p>With Paragraph 1.2.1</p> <p>Fundamental Concepts, General Principles and Overarching Requirements</p> <p>Relevant Ethical Requirements and Firm-Level Quality Management</p> <p><i>Firm-Level Quality Management</i></p> | - | <p><i>Systems of quality management, including the policies or procedures, are the responsibility of the firm. ISQM 1²⁰, applies to all firms that perform audits. This [draft] standard is premised on the basis that the firm is subject to ISQM 1 or to national requirements that are at least as demanding.</i></p> | There is no equivalent requirement in the ISAs (its addressed in paragraph A19 of ISA 200) but added as provides context for quality management. This does not create a requirement. |

²⁰ 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*

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | Part 1.2. | | | |
| Essential Explanatory Material | - | <p>With Paragraph 1.2.1</p> <p>Fundamental Concepts, General Principles and Overarching Requirements</p> <p>Relevant Ethical Requirements and Firm-Level Quality Management</p> <p><i>Firm-Level Quality Management</i></p> <p>Part 1.2.</p> | - | <p><i>If an engagement quality review is required by the firm's policies or procedures established in accordance with ISQM 1, then ISQM 2²¹, applies. ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.</i></p> | <p>There is no equivalent requirement in the ISAs but added as provides context for quality management. This does not create a requirement.</p> |
| ISA 210, Agreeing the Terms of Audit Engagements | | | | | |
| Objective | <p>ISA 210</p> <p>Paragraph 3</p> | <p>Paragraph 4.1.1.(a)</p> <p>Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements</p> <p>Objectives</p> | <p>The objective of the auditor is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:</p> <p>(a) Establishing whether the preconditions for an audit are present; and</p> <p>(b) Confirming that there is a common understanding between the auditor and management and, where appropriate, those charged with governance of the</p> | <p>The objectives of the auditor are:</p> <p>(a) To accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:</p> <p>(i) Establishing whether the preconditions for an audit are present; and</p> <p>(ii) Confirming that there is a common understanding between the auditor</p> | <p>1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE?</p> <p>Yes, only change to adapt to a bulleted list to match the structure of the [draft] ISA for LCE standard. Outcome of required action is the same.</p> |

²¹ ISQM 2, *Engagement Quality Reviews*

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | terms of the audit engagement. | and management and, where appropriate those charged with governance, of the terms of the audit engagement. | 3. Do the changes result in the objective that still achieve reasonable assurance? Yes. |
| Requirements | ISA 210 Paragraph 6 Preconditions for an Audit | Paragraph 4.3.1. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Preconditions for an Audit | 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; and (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; (ii) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material | 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; (b) Obtain the agreement of management and where appropriate, those charged with governance, 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; (ii) For such controls as management determines is | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – combined management and those charged with governance in line with how the [draft] ISA for LCE standard has been developed, also other changes to terminology e.g., discusses internal control as controls, language revised to be consistent with changes to ISA 315 (Revised 2019). Outcome of auditor action expected to be similar. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | <p>misstatement, whether due to fraud or error; and</p> <p>(iii) To provide the auditor with:</p> <p>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;</p> <p>b. Additional information that the auditor may request from management for the purpose of the audit; and</p> <p>c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.</p> | <p>necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and</p> <p>(iii) To provide the auditor with:</p> <p>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;</p> <p>b. Additional information that the auditor may request from management for the purpose of the audit; and</p> <p>c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.</p> | |
| Requirements | ISA 210 Paragraph 7 | Paragraph 4.3.3. Acceptance or Continuance of an Audit | If management or those charged with governance impose a limitation on the scope of the | If management or those charged with governance impose a limitation on the scope | 1. Is the requirement relevant and appropriate in the |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | Limitation on Scope Prior to Audit Engagement Acceptance | Engagement and Initial Audit Engagements Preconditions for an Audit | auditor's work in the terms of a proposed audit engagement such that the auditor believes the limitation will result in the auditor disclaiming an 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. | 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. | <p>circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Modification for drafting principles (by simplifying sentence structure) however all aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | ISA 210 Paragraph 8 Other Factors Affecting Audit Engagement Acceptance | Paragraph 4.3.2. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Preconditions for an Audit | <p>If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement:</p> <p>(a) If the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable, except as provided in paragraph 19; or</p> <p>(b) If the agreement referred to in paragraph 6(b) has not been obtained.</p> | <p>If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement:</p> <p>(a) If the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable; or</p> <p>(b) If the agreement of management that it acknowledges and understands its</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of an audit of an LCE – the exception in paragraph 19 of ISA 210 has not been included in the [draft] ISA for LCE (see below for explanation). It is anticipated that commonly the auditor would not be able to accept the engagement if the auditor has determined the financial</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | responsibility has not been obtained. | reporting framework is unacceptable. Minor modification to the language used in the requirement to improve its readability. All aspects of auditor action retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 210 Paragraph 9 Agreement on Audit Engagement Terms | Paragraph 4.5.1. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Terms of the Audit Engagement | The auditor shall agree the terms of the audit engagement with management or those charged with governance, as appropriate. | The auditor shall agree the terms of the audit engagement with management. or where appropriate, those charged with governance. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of the [draft] ISA for LCE by referencing TCWG "if appropriate," to reflect the typical structure of an LCE that might not have both. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 210 Paragraph 10 Agreement on Audit | Paragraph 4.8.4. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements | Subject to paragraph 11, the agreed terms of the audit engagement shall be recorded in an audit engagement letter or | The auditor shall record in an audit engagement letter or other suitable form of written agreement: | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | Engagement Terms | Specific Documentation Requirements | <p>other suitable form of written agreement and shall include:</p> <p>(a) The objective and scope of the audit of the financial statements;</p> <p>(b) The responsibilities of the auditor;</p> <p>(c) The responsibilities of management;</p> <p>(d) Identification of the applicable financial reporting framework for the preparation of the financial statements; and</p> <p>(e) Reference to the expected form and content of any reports to be issued by the auditor; and</p> <p>(f) A statement that there may be circumstances in which a report may differ from its expected form and content.</p> | <p>(a) That the audit will be undertaken using the [draft] ISA for LCE;</p> <p>(b) The objective and scope of the audit of the financial statements;</p> <p>(c) The respective responsibilities of the auditor and management;</p> <p>(d) Identification of the applicable financial reporting framework for the preparation of the financial statements;</p> <p>(e) Reference to the expected form and content of any reports to be issued by the auditor; and</p> <p>(f) A statement that there may be circumstances in which a report may differ from its expected form and content.</p> | <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. The requirement has been adapted to the circumstances of the [draft] ISA for LCE - Reference to ISA 210, paragraph 11 has been removed (included at paragraph 4.8.5. as mapped below). Minor modification to the language used in the requirement for drafting principles and improve its readability (e.g., two “shalls” within the ISA intro – one has been removed). All aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 210</p> <p>Paragraph 11</p> <p>Agreement on Audit Engagement Terms</p> | <p>Paragraph 4.8.5.</p> <p>Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements</p> <p>Specific Documentation Requirements</p> | <p>If law or regulation prescribes in sufficient detail the terms of the audit engagement referred to in paragraph 10, the auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that management acknowledges and understands its responsibilities as set out in paragraph 6(b).</p> | <p>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 or regulation applies, and that management acknowledges and understands its responsibilities.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. The requirement has been adapted to remove paragraph references to 10 (paragraph 4.8.4.) and 6(b) (paragraph</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>4.3.1.) as reference to “this [draft] standard” deemed appropriate. All aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 210 Paragraph 12 Agreement on Audit Engagement Terms</p> | <p>With Paragraph 4.5.1. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Terms of the Audit Engagement</p> | <p>If law or regulation prescribes responsibilities of management similar to those described in paragraph 6(b), the auditor may determine that the law or regulation includes responsibilities that, in the auditor’s judgment, are equivalent in effect to those set out in that paragraph. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the written agreement. For those responsibilities that are not prescribed by law or regulation such that their effect is equivalent, the written agreement shall use the description in paragraph 6(b).</p> | <p>The auditor shall agree the terms of the audit engagement with management or those charged with governance.</p> <p><i>If law or regulation prescribes the responsibilities of management that are equivalent in effect to what this [draft] standard requires, the auditor may use the wording of the law or regulation to describe them in the written agreement.</i></p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – the prescribed description of management’s responsibilities (paragraph 6(b)) is addressed in paragraph 4.8.4. so not a new requirement. The rest of the ISA paragraph does not establish a requirement but this essential material has been broadly added to the [draft] ISA for LCE. Any reference to the ISAs has also been removed. As no requirements included, this is presented as EEM.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes, the requirement has been retained allowing the auditor to</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | use the wording of the law or regulation where equivalent. |
| Requirements | ISA 210 Paragraph 13 Recurring Audits | Paragraph 4.5.2. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Terms of the Audit Engagement | 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. | 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. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 210 Paragraph 14 Acceptance of a Change in the Terms of the Audit Engagement | Paragraph 4.5.3. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Terms of the Audit Engagement | The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so. | The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 210 Paragraph 15 Acceptance of a Change in | Paragraph 4.5.4. Acceptance or Continuance of an Audit | 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 | 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 | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | the Terms of the Audit Engagement | Engagement and Initial Audit Engagements Terms of the Audit Engagement | assurance, the auditor shall determine whether there is reasonable justification for doing so. | assurance, the auditor shall determine whether there is reasonable justification for doing so. | Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 210 Paragraph 16 Acceptance of a Change in the Terms of the Audit Engagement | Paragraph 4.5.5. Acceptance or continuance of an audit engagement and Initial Engagements Terms of the Audit Engagement | 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. | 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. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 210 Paragraph 17 Acceptance of a Change in the Terms of the Audit Engagement | Paragraph 4.5.6. Acceptance or continuance of an audit engagement and Initial Engagements Terms of the Audit Engagement | 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 | 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 | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | (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. | 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 210 Paragraph 18 Additional Considerations in Engagement Acceptance <i>Financial Reporting Standards Supplemented by Law or Regulation</i> | - | If financial reporting standards established by an authorized or recognized standards setting organization are supplemented by law or regulation, the auditor shall determine whether there are any conflicts between the financial reporting standards and the additional requirements. If such conflicts exist, the auditor shall discuss with management the nature of the additional requirements and shall agree whether: (a) The additional requirements can be met through additional disclosures in the financial statements; or (b) The description of the applicable financial reporting framework in the financial statements can be amended accordingly. If neither of the above actions is possible, the auditor shall determine whether it will be necessary to modify the auditor's | - | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No - based on the profile of what constitutes an LCE for the purposes of the [draft] ISA for LCE, it is not expected that this will be a common occurrence. For example, it is expected that most LCE audits are performed under local Financial Reporting Frameworks (FRFs) or IFRS for SMEs without the need for supplementations by laws or regulations. If there are local laws and regulations that conflict with FRFs then local bodies would identify this as part of their consideration for use of the [draft] ISA for LCE. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? - |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | opinion in accordance with ISA 705. | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 210 Paragraph 19 Additional Considerations in Engagement Acceptance <i>Financial Reporting Framework Prescribed by Law or Regulation—Other Matters Affecting Acceptance</i></p> | - | <p>If the auditor has determined that the financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation, the auditor shall accept the audit engagement only if the following conditions are present:</p> <p>(a) Management agrees to provide additional disclosures in the financial statements required to avoid the financial statements being misleading; and</p> <p>(b) It is recognized in the terms of the audit engagement that:</p> <p>(i) The auditor's report on the financial statements will incorporate an Emphasis of Matter paragraph, drawing users' attention to the additional disclosures, in accordance with ISA 706 (Revised); and</p> <p>(ii) Unless the auditor is required by law or regulation to express the auditor's opinion on</p> | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>No - It is the view of the LCE Task Force that this would be a jurisdictional issue and is unlikely to be common. Where this may be an issue in a jurisdiction, this could be addressed by local bodies for the circumstances in their jurisdiction. If there are local laws and regulations that conflict with FRFs then local bodies would identify this when considering use of the [draft] ISA for LCE and decide how to resolve (e.g., this requirement could be added "back" for that particular jurisdiction).</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | <p>the financial statements by using the phrases “present fairly, in all material respects,” or “give a true and fair view” in accordance with the applicable financial reporting framework, the auditor’s opinion on the financial statements will not include such phrases.</p> | | |
| Requirements | <p>ISA 210 Paragraph 20 Additional Considerations in Engagement Acceptance <i>Financial Reporting Framework Prescribed by Law or Regulation— Other Matters Affecting Acceptance</i></p> | - | <p>If the conditions outlined in paragraph 19 are not present and the auditor is required by law or regulation to undertake the audit engagement, the auditor shall:</p> <p>(a) Evaluate the effect of the misleading nature of the financial statements on the auditor’s report; and</p> <p>(b) Include appropriate reference to this matter in the terms of the audit engagement.</p> | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>No - It is the view of the LCE Task Force that this would be a jurisdictional issue and is unlikely to be common. Where this may be an issue in a jurisdiction, this could be addressed by local bodies for the circumstances in their jurisdiction. If there are local laws and regulations that conflict with FRFs then local bodies would identify this when considering use of the [draft] ISA for LCE and decide how to deal with it (e.g., this requirement could be added “back” for that particular jurisdiction).</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | | - 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 210 Paragraph 21 Additional Considerations in Engagement Acceptance <i>Auditor's Report Prescribed by Law or Regulation</i> | Paragraph 4.4.2 Paragraph 4.4.3. Acceptance or Continuance of an Audit Engagement and Initial Engagements Additional Considerations in Engagement Acceptance | 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 ISAs. In these circumstances, the auditor shall evaluate: (a) Whether users might 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. 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 ISAs. Accordingly, the auditor shall not include any reference within the auditor's report to the audit | 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: (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. 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 | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes – the requirement is aligned to the ISA requirement except for referring to the [draft] ISA for LCE rather than to the ISAs. The paragraph has been split into two requirements (i.e., applying the drafting principles) to facilitate better readability. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? See above. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | having been conducted in accordance with ISAs. | 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. | |
| Requirements | - | Paragraph 4.2.1. Acceptance or Continuance of an Audit Engagement and initial Audit Planning Determining that the [Draft] ISA for LCE is Appropriate for the Audit Engagement | - | 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. | There is no ISA requirement – this is specific to the applicability determination of the [draft] ISA for LCE. |
| Requirements | - | Paragraph 4.8.2. Acceptance or Continuance of an Audit Engagement and Initial Engagements Specific Documentation Requirements | - | The auditor shall document the determination made for using the [draft] ISA for LCE. | There is no ISA requirement – this is specific to the documentation of the applicability determination of the [draft] ISA for LCE during engagement acceptance / continuance. |
| Requirements | - | Paragraph 4.8.3. Acceptance or Continuance of an Audit Engagement and Initial Engagements Specific Documentation Requirements | - | 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. | There is no ISA requirement – this is specific to the documentation of the applicability determination of the [draft] ISA for LCE if changes to the auditor's determination occur during the audit |
| - | - | With Paragraph 4.2.1. | - | <i>Part A sets out the matters relevant to the engagement partner's determination of use</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | <p>Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements</p> <p>Determining that the [Draft] ISA for LCE is Appropriate for the Audit Engagement</p> | | <p><i>of the [draft] ISA for LCE, in particular in relation to the limitations for using the [draft] standard. This determination is made when the engagement partner is determining that the firm's policies or procedures regarding acceptance and continuance have been followed (see paragraph 4.4.1.).</i></p> <p><i>Information and audit evidence gathered during client acceptance and continuance procedures may be used to make the determination about use of the [draft] ISA for LCE. Further information may also be obtained when performing risk identification and assessment procedures that may change the engagement partner's initial determination about use of the [draft] ISA for LCE in accordance with this Part. Part 6 (see paragraph 6.5.10) requires the engagement partner to determine whether the [draft] ISA for LCE continues to be appropriate for the nature and circumstances of the entity being audited during the risk identification and assessment process. Consideration of further information throughout the audit may change the engagement partner's determination about</i></p> | <p>There is no ISA equivalent – this is specific to the use of the [draft] ISA for LCE.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | <i>the appropriateness of the use of the [draft] ISA for LCE.</i> | |
| Application Material | - | With Part 4.5. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Terms of the Audit Engagement | - | <i>This [draft] standard requires the auditor to ascertain certain matters, upon which it is necessary for the auditor and management or, where appropriate, those charged with governance to agree, and which are in the control of the entity, prior to the auditor accepting the audit engagement.</i> | Essential Explanatory Material This paragraph is based on paragraph A39 in ISRE 2400. ²² There is no equivalent requirement in the ISAs but added as provides context for engagement acceptance to address Board comments that users of the financial statements should also be considered in the decision to use the [draft] ISA for LCE. |
| ISA 220 (Revised), Quality Management for an Audit of Financial Statements | | | | | |
| Objective | ISA 220 (Revised) Paragraph 11 | Paragraph 3.1.1. Engagement Quality Management Objectives | 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, and has conducted the audit, in accordance with professional standards and applicable legal and regulatory requirements; and (b) The auditor’s report issued is appropriate in the circumstances. | 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 (b) The auditor’s report issued is appropriate in the circumstances. | 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modified to explain that professional standards consist of “this [draft] ISA for LCE and relevant ethical standards,” but the overall objective is expected to deliver a similar outcome as the ISA requirement in the |

²² International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Information*

| Section | Reference & Heading | | Text | | Comparison |
|--------------|--|---|--|---|--|
| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>context of an audit of an LCE the management of quality.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 13</p> <p>Leadership Responsibilities for Managing and Achieving Quality on Audits</p> | <p>Paragraph 3.2.1.</p> <p>Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> <p><i>Leadership Responsibilities for Managing and Achieving Quality</i></p> | <p>The engagement partner shall take overall responsibility for managing and achieving quality on the audit engagement, including taking responsibility for creating an environment for the engagement that emphasizes the firm's culture and expected behavior of engagement team members. 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 the conclusions reached, are appropriate given the nature and circumstances of the engagement.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes –requirements related to actions (take overall responsibility and determining) have been retained. The requirement relating to taking responsibility for the culture and behavior are captured in paragraph 3.2.2 and related EEM. The actions in this requirement have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | Yes – the key actions in this requirement have been retained. |
| Requirements | ISA 220 (Revised) Paragraph 14 Leadership Responsibilities for Managing and Achieving Quality on Audits | Paragraph 3.2.2. Engagement Quality Management The Engagement Partner's Responsibilities <i>Leadership Responsibilities for Managing and Achieving Quality</i> | In creating the environment described in paragraph 13, 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 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; (b) The importance of professional ethics, values and attitudes to the members of the engagement team; (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. | 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: (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; (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. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – removed reference to paragraph 13, in line with drafting principles (i.e., reduce cross referencing where appropriate) therefore relevant cross reference not provided.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | ISA 220 (Revised) Paragraph 15 Leadership Responsibilities for Managing and Achieving Quality on Audits | Paragraph 3.2.3. Engagement Quality Management The Engagement Partner's Responsibilities <i>Leadership Responsibilities for Managing and Achieving Quality</i> | If the engagement partner assigns the design or performance of procedures, tasks or actions related to a requirement of this ISA to other members of the engagement team to assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement through direction and supervision of those members of the engagement team, and review of their work. | 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. | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modifications made to simplify sentence structure and increase readability but without losing the broad actions required of the Engagement Partner. Also removed references to the ISA. All aspects of auditor action from the ISA requirement retained so deliver a similar outcome as the ISA requirement in the context of an audit of an LCE i.e., the expectation on the engagement partner in managing quality. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 220 (Revised) Paragraph 16 Relevant Ethical | - | The engagement partner shall have an understanding of the relevant ethical requirements, including those related to independence, that are | | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | Requirements, including Those related to Independence | | applicable given the nature and circumstances of the audit engagement. | | <p>Yes – but not included as separate requirement as Part 1 (see paragraph 1.2.1.) makes clear the auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements and it is therefore assumed that the engagement partner would have the requisite understanding.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | ISA 220 (Revised) Paragraph 17 Relevant Ethical Requirements, including Those related to Independence | Paragraph 3.2.5.(a) and (b) Engagement Quality Management The Engagement Partner’s Responsibilities <i>Relevant Ethical Requirements</i> | The engagement partner shall 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 firm’s related policies or procedures, including those that address: (a) Identifying, evaluating and addressing threats to | Throughout the audit engagement, the engagement partner shall: (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 | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – The bullets contained in paragraphs 17(a), (b) and</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | <p>compliance with relevant ethical requirements, including those related to independence;</p> <p>(b) Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches; and</p> <p>(c) The responsibilities of members of the engagement team when they become aware of an instance of non-compliance with laws and regulations</p> | <p>audit engagement and the firms related policies or procedures for identifying, evaluating and addressing threats to compliance with relevant ethical requirements; and</p> <p>(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.</p> | <p>(c) of ISA 220 (Revised) are dealt with more broadly within the [draft] ISA for LCE (i.e., have been combined and summarized) but the broad requirement for the engagement partner to take responsibility has been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – overall responsibility and related actions still required so expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 18</p> <p>Relevant Ethical Requirements, including Those related to Independence</p> | <p>Paragraph 3.2.6.</p> <p>Engagement Quality Management</p> <p>The Engagement Partner’s Responsibilities</p> <p><i>Relevant Ethical Requirements</i></p> | <p>If matters come to the engagement partner’s attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement partner shall evaluate the threat through complying with the firm’s policies or procedures, using relevant information from the firm, the engagement team or other sources, and take appropriate action.</p> | <p>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:</p> <p>(a) Following the firm’s policies or procedures to evaluate the threat; and</p> <p>(b) Consulting with others in the firm.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – this requirement has been modified and combined with paragraph 20 of ISA 220 (Revised) for the purpose of drafting the [draft] ISA for LCE in a more succinct way (in line with</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>drafting principles), but without losing the expected outcomes from the requirement.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – the responsibility for the engagement partner is expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE as the key aspects of the relevant requirements have been retained.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 19</p> <p>Relevant Ethical Requirements, including Those related to Independence</p> | <p>Paragraph 3.2.5.(b)</p> <p>Engagement Quality Management</p> <p>The Engagement Partner’s Responsibilities</p> <p><i>Relevant Ethical Requirements</i></p> | <p>The engagement partner shall remain alert throughout the audit engagement, through observation and making inquiries as necessary, for breaches of relevant ethical requirements or the firm’s related policies or procedures by members of the engagement team.</p> | <p>Throughout the audit engagement, the engagement partner shall:</p> <p>...</p> <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modified to make the [draft] ISA for LCE standard more succinct (by combining requirements where possible in bullet lists) without reducing the robustness of the requirement.</p> <p>3. Do the changes result in requirements that still</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>achieve reasonable assurance?</p> <p>Yes – key aspects of the requirement have been retained.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 20 Relevant Ethical Requirements, including Those related to Independence</p> | <p>Paragraph 3.2.6. Engagement Quality Management The Engagement Partner's Responsibilities <i>Relevant Ethical Requirements</i></p> | <p>If matters come to the engagement partner's attention through the firm's system of quality management, or from other sources, that indicate that relevant ethical requirements applicable to the nature and circumstances of the audit engagement have not been fulfilled, the engagement partner, in consultation with others in the firm, shall take appropriate action.</p> | <p>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:</p> <p>(a) Following the firm's policies or procedures to evaluate the threat; and</p> <p>(b) Consulting with others in the firm.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes — this requirement has been modified and combined with paragraph 18 of ISA 220 (Revised) for the purpose of drafting in a more succinct way without losing the expected outcomes of the requirement.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – the responsibility for the engagement partner is expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE (i.e., key aspect of the requirement has been retained).</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | ISA 220 (Revised) Paragraph 21 Relevant Ethical Requirements, including Those related to Independence | | Prior to dating the auditor's report, the engagement partner shall take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled. | - | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes– however it is not necessary to include a separate requirement as requirements relating to the partners responsibility for determining ethical requirements have been fulfilled is included at paragraphs 3.2.5-3.2.6. Should / could the requirement be revised or modified for the circumstances of an LCE? - Do the changes result in requirements that still achieve reasonable assurance? Yes - There are still requirements that address the relevant responsibilities of the engagement partner. |
| Requirements | ISA 220 (Revised) Paragraph 22 Acceptance and Continuance of Client Relationships | Paragraph 4.4.1. Acceptance or Continuance of an Audit Engagement and Initial Engagements Additional Considerations in Engagement Acceptance | The engagement partner shall determine that the firm's policies or procedures for the acceptance and continuance of client relationships and audit engagements have been followed, and that conclusions reached in this regard are appropriate. | The engagement partner shall determine that the firm's policies or procedures regarding acceptance and continuance of the audit engagement have | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | and Audit Engagements | | | been followed ²³ and that conclusions reached in this regard are appropriate, including the appropriate use of the [draft] ISA for LCE. | <p>modified for the circumstances of an LCE?</p> <p>Yes – minor modifications to the sentence structure for drafting principles and readability. ISA for LCE specific aspect also added. The required action has been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | ISA 220 (Revised) Paragraph 23 Acceptance and Continuance of Client Relationships and Audit Engagements | Paragraph 5.2.3. Planning Planning Activities | The engagement partner shall take into account information obtained in the acceptance and continuance process in planning and performing the audit engagement in accordance with the ISAs and complying with the requirements of this ISA. | The engagement partner shall take into account information obtained in the acceptance and continuance process in planning and performing the audit. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modifications only made to make appropriate for the [draft] ISA for LCE standard only to remove references to the ISAs – the full action of the ISA requirement retained.</p> |

²³ 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.

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 24</p> <p>Acceptance and Continuance of Client Relationships and Audit Engagements</p> | - | <p>If the engagement team becomes aware of information that may have caused the firm to decline the audit engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.</p> | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes – but not included in [draft] ISA for LCE because addressed through a requirement in ISQM 1 (paragraph 34), use of which is assumed (or the equivalent national requirements which are at least as demanding) when using the [draft] ISA for LCE.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 25</p> <p>Engagement resources</p> | <p>Paragraph 3.2.7.(a)</p> <p>Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> | <p>The engagement partner shall determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the</p> | <p>Taking into account the nature and circumstances of the audit and the firm's related policies and procedures, the</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | <i>Other Engagement Partner Responsibilities</i> | engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, the firm’s policies or procedures, and any changes that may arise during the engagement. | engagement partner shall determine that: (a) Sufficient and appropriate resources are assigned or made available to the engagement team in a timely manner; and (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. | <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – made into a bullet list to incorporate related matters. However, no aspects of the required action in the requirement has been lost. This requirement has also been combined in the bullet list with paragraph 26 of ISA 220 (Revised). All key aspects of the requirement have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | ISA 220 (Revised) Paragraph 26 Engagement resources | Paragraph 3.2.7.(b) Engagement Quality Management The Engagement Partner’s Responsibilities <i>Other Engagement Partner Responsibilities</i> | The engagement partner shall determine that members of the engagement team, and any auditor’s external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. | Taking into account the nature and circumstances of the audit and the firm’s policies and procedures, the engagement partner shall determine that: ... (b) Members of the engagement team, and any auditor’s external experts, collectively have the appropriate competence and capabilities, including | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modified for the nature of the [draft] ISA for LCE standard: Internal audit not included because excluded from the [draft] ISA for LCE</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | sufficient time, to perform the audit engagement. | <p>standard. This requirement has also been combined in the bullet list with paragraphs 25 of ISA 220 (Revised). All relevant aspects of the requirement for an LCE audit would be retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 27 Engagement resources</p> | <p>Paragraph 3.2.8. Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i></p> | <p>If, as a result of complying with the requirements in paragraphs 25 and 26, the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the audit engagement, the engagement partner shall take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – Modification to the language used in the requirement for the application of the drafting principles to improve its readability as well as to remove any reference to the ISAs (and instead reference the relevant paragraphs within the [draft] ISA for LCE). All aspects that require action within the</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>requirement have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 28</p> <p>Engagement resources</p> | <p>Paragraph 3.2.9.</p> <p>Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> <p><i>Other Engagement Partner Responsibilities</i></p> | <p>The engagement partner shall take responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the audit engagement.</p> | <p>The engagement partner shall take responsibility for using the resources assigned or made available to the engagement team appropriately.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes - modified the language. "Taking into account the nature and circumstances of the audit" to be brought into the intro to paragraph 3.2.7. and not considered necessary to repeat. All aspects that require action within the requirement have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 29</p> | <p>Paragraph 3.2.3.</p> <p>Engagement Quality Management</p> | <p>The engagement partner shall take responsibility for the direction and supervision of the</p> | <p>If the engagement partner assigns the design or performance of procedures,</p> | <p>1. Is the requirement relevant and appropriate in the</p> |

| Section | Reference & Heading | | Text | | Comparison |
|---------------------|--|--|--|--|--|
| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | <p>Engagement Performance <i>Direction, Supervision and Review</i></p> | <p>The Engagement Partner's Responsibilities <i>Leadership Responsibilities for Managing and Achieving Quality</i></p> | <p>members of the engagement team and the review of their work.</p> | <p>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.</p> | <p>circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modifications made to combine with other requirements to avoid repetition, in line with drafting principles.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – the responsibility for direction, supervision and review has been retained.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 30 Engagement Performance <i>Direction, Supervision and Review</i></p> | <p>Paragraph 3.2.4. Engagement Quality Management The Engagement Partner's Responsibilities <i>Leadership Responsibilities for Managing and Achieving Quality</i></p> | <p>The engagement partner shall determine that the nature, timing and extent of direction, supervision and review is:</p> <p>(a) Planned and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements; and</p> <p>(b) Responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm.</p> | <p>In taking overall responsibility for managing and achieving quality through direction and supervision, 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 in compliance with the firm's related policies or procedures, this [draft] ISA for LCE, relevant ethical standards and regulatory requirements.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modifications made to combine requirements to make more appropriate for the [draft] ISA for LCE standard but without losing the broad actions required of</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>the Engagement Partner. All aspects of auditor action from the ISA requirement retained so expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE i.e., the expectation on the engagement partner in managing quality.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – all significant aspects of the requirement have been retained.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 31 Engagement Performance</p> <p><i>Direction, Supervision and Review</i></p> | <p>Paragraph 3.2.11. Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> <p><i>Other Engagement Partner Responsibilities</i></p> | <p>The engagement partner shall review audit documentation at appropriate points in time during the audit engagement, including audit documentation relating to:</p> <p>(a) Significant matters;</p> <p>(b) Significant judgments, including those relating to difficult or contentious matters identified during the audit engagement, and the conclusions reached; and</p> <p>(c) Other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.</p> | <p>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 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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modified for nature of the [draft] ISA for LCE to make more succinct and direct (i.e., applying the drafting principles). All significant aspects of the ISA</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>requirement have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 32 Engagement Performance</p> <p><i>Direction, Supervision and Review</i></p> | <p>Paragraph 8.7. 2. Concluding Taking Overall Responsibility for Managing and Achieving Quality</p> | <p>On or before the date of the auditor's report, the engagement partner shall determine, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes, modified to remove detail on how something may be performed to focus on the outcome of the required action, in line with drafting principles.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes: expected to deliver a similar outcome as the ISA requirement.</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 33 Engagement Performance</p> | <p>Paragraph 8.7.3. Concluding Taking Overall Responsibility for Managing and Achieving Quality</p> | <p>Prior to dating the auditor's report, the engagement partner shall review the financial statements and the auditor's report, including, if applicable,</p> | <p>Prior to dating the auditor's report, the engagement partner shall review the financial statements and the auditor's report to determine that the</p> | <p>1. Is the requirement relevant and appropriate in the</p> |

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| | <i>Direction, Supervision and Review</i> | | the description of the key audit matters and related audit documentation, to determine that the report to be issued will be appropriate in the circumstances | auditor's report being issued is appropriate in the circumstances. | <p>circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modified for nature of the [draft] ISA for LCE since the communication of key audit matters is not anticipated in the [draft] ISA for LCE. No relevant aspects of the auditor's required action have been omitted.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | ISA 220 (Revised) Paragraph 34 Engagement Performance <i>Direction, Supervision and Review</i> | Paragraph 3.2.14. Engagement Quality Management The Engagement Partner's Responsibilities <i>Review of Communications</i> | The engagement partner shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities. | The engagement partner shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still</p> |

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| | | | | | <p>achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 220 (Revised) Paragraph 35 Engagement Performance <i>Consultation</i></p> | <p>Paragraph 3.2.12.(b) and (c) Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i></p> | <p>The engagement partner shall:</p> <p>(a) Take responsibility for the engagement team undertaking consultation on:</p> <p>(i) Difficult or contentious matters and matters on which the firm's policies or procedures require consultation; and</p> <p>(ii) Other matters that, in the engagement partner's professional judgment, require consultation;</p> <p>(b) Determine that members of the engagement team have undertaken appropriate consultation during the audit engagement, both within the engagement team, and between the engagement team and others at the appropriate level within or outside the firm;</p> <p>(c) Determine that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and</p> <p>(d) Determine that conclusions agreed have been implemented</p> | <p>The engagement partner shall:</p> <p>(a) Take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures;</p> <p>(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;</p> <p>(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</p> <p>(d) Not date the auditor's report until any differences of opinion are resolved.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modified to combine requirements where the auditor's actions appear similar in line with the drafting principles. No significant aspects of the auditor's required actions expected to be lost – i.e., output expected to be similar. Consultations would also be addressed under the firm or practitioners' policies and procedures and ISQM 1 standard, use of which is assumed (or the equivalent national requirements which are at least as demanding) when using the [draft] ISA for LCE.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> |

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| | | | | | Yes – the significant aspects of the requirement have been retained as appropriate for an audit of an LCE. |
| Requirements | ISA 220 (Revised) Paragraph 36 Engagement Performance <i>Engagement Quality Review</i> | Paragraph 3.2.13. Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i> | For audit engagements for which an engagement quality review is required, the engagement partner shall: (a) Determine that an engagement quality reviewer has been appointed; (b) Cooperate with the engagement quality reviewer and inform other members of the engagement team of their responsibility to do so; (c) Discuss significant matters and significant judgments arising during the audit engagement, including those identified during the engagement quality review, with the engagement quality reviewer; and (d) Not date the auditor's report until the completion of the engagement quality review. | For audit engagements for which an engagement quality review is required, the engagement partner shall determine that an engagement quality reviewer has been appointed: (a) Cooperate with the engagement quality reviewer; (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. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modified for nature of the [draft] ISA for LCE standard to make more action focused (also likely to be less engagement quality reviews for LCE audits but may still be needed in some cases therefore outcome focused requirement retained). All significant auditor actions have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – the significant aspects of the requirement have been retained as appropriate to an audit of an LCE.</p> |
| Requirements | ISA 220 (Revised) | Paragraph 3.2.12. (a)–(b) | If differences of opinion arise within the engagement team, or | The engagement partner shall: | 1. Is the requirement relevant and appropriate in the |

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| | Paragraph 37 Engagement Performance <i>Differences of Opinion</i> | Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i> | between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, including those who provide consultation, the engagement team shall follow the firm's policies or procedures for dealing with and resolving such differences of opinion. | (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; ... | circumstances of an audit of an LCE? Yes 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – This requirement is broadly addressed by paragraph 3.2.12.(a) and (b) which requires that the engagement partner take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures and that consultations are undertaken in accordance with the firms policies or procedures. Key auditor actions retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 220 (Revised) Paragraph 38 Engagement Performance <i>Differences of Opinion</i> | Paragraph 3.2.12.(a), (c) and (d) Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i> | The engagement partner shall: (a) Take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures; (b) Determine that conclusions reached are documented and implemented; and | The engagement partner shall: (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 | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or |

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| | | | (c) Not date the auditor's report until any differences of opinion are resolved. | <p>with the firm's related policies or procedures, or where deemed necessary on difficult or contentious matters;</p> <p>(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</p> <p>(d) Not date the auditor's report until any differences of opinion are resolved.</p> | <p>modified for the circumstances of an LCE?</p> <p>Yes – modified to combine requirements for topics where the auditor's actions appear similar for the purpose of drafting for the nature of the [draft] ISA for LCE.</p> <p>No significant aspects of the auditor's required actions expected to be lost – i.e., output expected to be similar.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | ISA 220 (Revised) Paragraph 39 Monitoring and Remediation | Paragraph 3.2.10. Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i> | The engagement partner shall take responsibility for: (a) Obtaining 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; (b) Determining the relevance and effect on the audit engagement of the information referred to in | 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 | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modified for nature of the [draft] ISA for LCE standard by making more language direct – however significant outcomes for addressing findings from</p> |

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| | | | paragraph 39(a) and take appropriate action; and (c) Remaining alert throughout the audit engagement for information that may be relevant to the firm's monitoring and remediation process and communicate such information to those responsible for the process. | (b) Remain alert for matters that may be relevant to the firm's monitoring and remediation process, and communicate that information as appropriate. | monitoring and remediation retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 220 (Revised) Paragraph 40 Taking Overall Responsibility for Managing and Achieving Quality | Paragraph 8.7.1. Concluding Taking Overall Responsibility for Managing and Achieving Quality | 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: (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 | 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: (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 | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |

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| | | | thereto, and the firm's related policies or procedures have been taken into account in complying with the requirements of this ISA | related policies or procedures have been taken into account. | |
| Requirements | ISA 220 (Revised) Paragraph 41 Documentation | <p>Paragraph 4.8.1. Acceptance or Continuance of an Audit Engagement and Initial Engagements Specific Documentation Requirements</p> <p>Paragraph 8.9.1.(b) Concluding Specific Documentation Requirements</p> <p>Paragraph 3.2.13. Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner Responsibilities</i></p> <p>Paragraph 3.3.1. Engagement Quality Management Specific Documentation Requirements</p> | <p>In applying ISA 230, the auditor shall include in the audit documentation:</p> <p>(a) Matters identified, relevant discussions with personnel, and conclusions reached with respect to:</p> <p>(i) Fulfillment of responsibilities for relevant ethical requirements, including those related to independence.</p> <p>(ii) The acceptance and continuance of the client relationship and audit engagement.</p> <p>(b) The nature and scope of, and conclusions resulting from, consultations undertaken during the audit engagement and how such conclusions were implemented.</p> <p>(c) If the audit engagement is subject to an engagement quality review, that the engagement quality review has been completed on or</p> | <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 acceptance and continuance of the client relationships and audit engagement.</p> <p>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:</p> <p>....</p> <p>(b) The nature and scope of, and conclusions from, consultations undertaken during the audit, including how such conclusions were implemented.</p> <p>3.2.13 For audit engagements for which an engagement quality review is required, the engagement partner shall</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – modified for nature of [draft] ISA for LCE:</p> <ul style="list-style-type: none"> Reference to ISA 230 is omitted but replaced with reference to where the overarching documentation requirements can be found. Paragraph 41(a) has been addressed in acceptance and continuation in paragraph 4.8.1 and 3.3.1. Paragraphs 41(b) has been addressed in paragraph 8.9.1.(b) |

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| | | | before the date of the auditor's report. | <p>determine that an engagement quality reviewer has been appointed and:</p> <p>(b) ...; and</p> <p>(c) Not date the auditor's report before the engagement quality review is complete.</p> <p>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 relevant ethical requirements, including applicable independence requirements.</p> | <ul style="list-style-type: none"> Paragraph 41(c) has been addressed by paragraph 3.2.13(c) <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – all significant aspects of the requirement that would commonly be found in an audit of an LCE have been included.</p> |
| Application Material | ISA 220 (Revised) Paragraph A14 | With Part 3.2. Engagement Quality Management The Engagement Partner's Responsibilities <i>Leadership Responsibilities for Managing and Achieving Quality</i> | | <i>The requirements for direction, supervision and review of the work of other members of the engagement team are only relevant if there are other members of the engagement team other than the engagement partner.</i> | Essential Explanatory Material |
| Application Material | ISA 220 (Revised) Paragraph A37 | With Paragraph 3.2.1. Engagement Quality Management The Engagement Partner's Responsibilities | | <i>Being sufficiently and appropriately involved throughout the audit engagement when procedures, tasks or actions have been assigned to other members of the engagement team may be</i> | Essential Explanatory Material |

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| | | <i>Leadership Responsibilities for Managing and Achieving Quality</i> | | <p><i>demonstrated by the engagement partner in different ways, including:</i></p> <ul style="list-style-type: none"> <i>Informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and to provide any other necessary instructions and relevant information.</i> <i>Direction and supervision of the assignees.</i> <p><i>Review of the assignees' work to evaluate the conclusions reached.</i></p> | |
| Application Material | ISA 220 (Revised) Paragraphs A28 and A29 | <p>With Paragraph 3.2.2.</p> <p>Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> <p><i>Leadership Responsibilities for Managing and Achieving Quality</i></p> | | <p><i>The engagement partner's responsibility for managing and achieving quality is supported by a firm culture that demonstrates a commitment to quality. In addressing the requirements in paragraphs 3.2.1. and 3.2.2. above, the engagement partner may communicate directly to other members of the engagement team and reinforce this communication through conduct and actions (e.g., leading by example). The nature and extent of the actions of the engagement partner to demonstrate the firm's commitment to quality may</i></p> | Essential Explanatory Material |

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| | | | | <p><i>depend on a variety of factors including the size, structure, and complexity of the firm and the engagement team, and the nature and circumstances of the audit engagement. For an engagement team with few engagement team members, influencing the desired culture through direct interaction and conduct may be sufficient.</i></p> | |
| Application Material | ISA 220 (Revised) Paragraph A91 | <p>With Paragraph 3.2.11.</p> <p>Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> <p><i>Other Engagement Partner Responsibilities</i></p> | | <p><i>The engagement partner exercises professional judgment in determining matters to review, for example based on:</i></p> <ul style="list-style-type: none"> • <i>The nature and circumstances of the audit engagement.</i> • <i>Which engagement team member performed the work.</i> • <i>Matters from recent inspection findings.</i> <p><i>The requirements of the firm's policies or procedures.</i></p> | Essential Explanatory Material |
| Application Material | ISA 220 (Revised) Paragraph A96 | <p>With Paragraph 3.2.4.</p> <p>Engagement Quality Management</p> <p>The Engagement Partner's Responsibilities</p> <p><i>Leadership Responsibilities for Managing and Achieving Quality</i></p> | - | <p><i>The approach to direction, supervision and review may be tailored depending on, for example:</i></p> <ul style="list-style-type: none"> • <i>The engagement team member's previous experience with the entity and the area to be audited.</i> • <i>The assessed risks of material misstatement. A higher assessed risk of</i> | Essential Explanatory Material |

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| | | | | <p><i>material misstatement may require a corresponding increase in the extent and frequency of the direction and supervision of engagement team members and a more detailed review of their work.</i></p> <ul style="list-style-type: none"> <i>The competence and capabilities of the individual engagement team members performing the audit work. For example, less experienced engagement team members may require more detailed instructions and more frequent, or in-person, interactions as the work is performed.</i> <p><i>The manner in which the reviews of the work performed are expected to take place.</i></p> | |
| Application Material | ISA 220 (Revised) Paragraph A99 and A107 | With Paragraph 3.2.12. Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner's Responsibilities</i> | - | <p><i>Consultation may be appropriate, or required by the firm's policies or procedures, when there are issues that are complex or unfamiliar, significant risks, significant transactions that are outside the normal course of business, or that otherwise appear to be unusual, limitations imposed by management or non-</i></p> | Essential Explanatory Material |

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| | | | | <p><i>compliance with law or regulation.</i></p> <p><i>Differences of opinion may arise within the engagement team, or between the engagement team and the engagement quality reviewer, or even with individuals performing activities within the firm's system of quality management such as those responsible for providing consultation.</i></p> <p><i>In considering matters related to differences of opinion, or difficult or contentious matters, the engagement partner may also consider whether the use of the [draft] ISA for LCE continues to be appropriate.</i></p> | |
| ISA 230, Audit Documentation | | | | | |
| Objective | ISA 230 Paragraph 5 | Paragraph 2.1.1.(b) Audit Evidence and Documentation Objectives | <p>The objective of the auditor is to prepare documentation that provides:</p> <p>(a) A sufficient and appropriate record of the basis for the auditor's report; and</p> <p>(b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.</p> | <p>The objectives of the auditor are to:</p> <p>....</p> <p>(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;</p> <p>....</p> | <p>1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE? Yes, change to combine from a bulleted list only.</p> <p>3. Do the changes result in the objective that still achieve reasonable assurance? Yes.</p> |

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| Requirements | <p>ISA 230 Paragraph 7 Timely Preparation of Audit Documentation</p> | <p>Paragraph 2.5.1. Audit Evidence and Documentation General Documentation Requirements</p> | <p>The auditor shall prepare audit documentation on a timely basis.</p> | <p>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: ...</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes paragraphs 7-9 of ISA 320 have been combined but all key aspects of the requirement have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 230 Paragraph 8 Documentation of the Audit Procedures Performed and Audit Evidence Obtained <i>Form, Content and Extent of Audit Documentation</i></p> | <p>Paragraph 2.5.1. Audit Evidence and Documentation General Documentation Requirements</p> | <p>The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:</p> <p>(a) The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements;</p> <p>(b) The results of the audit procedures performed, and the audit evidence obtained; and</p> | <p>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:</p> <p>(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:</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Modification to remove reference to the ISAs and to combine with paragraph 7 and 9 of ISA 320 (in line with drafting principles to make more succinct). All key aspects of auditor action retained.</p> |

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| | | | (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. | (i) (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. | 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 230 Paragraph 9 Documentation of the Audit Procedures Performed and Audit Evidence Obtained <i>Form, Content and Extent of Audit Documentation</i> | Paragraph 2.5.1.(a) Audit Evidence and Documentation General Documentation Requirements | In documenting the nature, timing and extent of audit procedures performed, the auditor shall record: (a) The identifying characteristics of the specific items or matters tested; (b) Who performed the audit work and the date such work was completed; and (c) Who reviewed the audit work performed and the date and extent of such review. | (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: (i) The identifying characteristics of the specific items or matters tested; (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, | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Modification to the sentence structure to combine paragraphs 7-9 of ISA 230. All key aspects of auditor action retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |

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| | | | | including what was reviewed. ... | |
| Requirements | ISA 230 Paragraph 10 Documentation of the Audit Procedures Performed and Audit Evidence Obtained <i>Form, Content and Extent of Audit Documentation</i> | Paragraph 2.5.6. Audit Evidence and Documentation General Documentation Requirements <i>Documentation of the Communications</i> | The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place. | 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. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – only change to add “and where, appropriate” in relation to those charged with governance to reflect that in LCE’s they often may not be separate (i.e., to reflect the likely structure of an LCE audit that may not have both). 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 230 Paragraph 11 Documentation of the Audit Procedures Performed and Audit Evidence Obtained <i>Form, Content and Extent of</i> | Paragraph 2.5.3. Audit Evidence and Documentation General Documentation Requirements | If the auditor identified information that is inconsistent with the auditor’s final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency. | 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. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | <i>Audit Documentation</i> | | | | <p>Yes – minor modification but does not change the auditor action.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 230 Paragraph 12 Documentation of the Audit Procedures Performed and Audit Evidence Obtained <i>Departure from a Relevant Requirement</i></p> | <p>Paragraph 2.5.4. Audit Evidence and Documentation General Documentation Requirements</p> | <p>If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in an ISA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No – although this is “in exceptional circumstances” that are generally omitted from the [draft] standard, the LCE Task Force had the view that such a requirement in the [draft] standard is essential and has therefore been included.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 230 Paragraph 13 Documentation of the Audit Procedures Performed and</p> | - | <p>If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor’s report, the auditor shall document:</p> | (i) - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No – in line with drafting principles, requirements resulting from exceptional circumstances</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | <p>Audit Evidence Obtained <i>Matters Arising after the Date of the Auditor's Report</i></p> | | <p>(a) The circumstances encountered;</p> <p>(b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and</p> <p>(c) When and by whom the resulting changes to audit documentation were made and reviewed.</p> | | <p>are generally not included in the [draft] standard.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? -</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 230 Paragraph 14 Assembly of the Final Audit File</p> | <p>Paragraph 8.9.3. Concluding Specific Documentation Requirements</p> | <p>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.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 230 Paragraph 15 Assembly of the Final Audit File</p> | <p>Paragraph 8.9.4. Concluding Specific Documentation Requirements</p> | <p>After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – very minor modifications made to make more succinct, which would not change the outcomes of the auditor’s actions.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 230 Paragraph 16 Assembly of the Final Audit File</p> | <p>Paragraph 8.9.6. Concluding Specific Documentation Requirements</p> | <p>In circumstances other than those envisaged in paragraph 13 where 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:</p> <p>(a) The specific reasons for making them; and (b) When and by whom they were made and reviewed.</p> | <p>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:</p> <p>(a) The specific reasons for making them; and (b) When and by whom they were made and reviewed.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Minor modification to the language used in the requirement for drafting guidelines (to make more succinct and action focused) but the requirement for what needs to be documented is similar.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes, key auditor actions retained.</p> |
| Application Material | ISA 230 | With Part 2.5 | - | <i>The form, content and extent of audit documentation depends</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | Paragraphs A2-A5 | Audit Evidence and Documentation General Documentation Requirements | | <i>on the nature and circumstances of the entity and the procedures being performed. Audit documentation may be in paper or electronic format. It is not necessary to include superseded drafts of working papers or financial statements in the audit documentation. Oral explanations, by the auditor on their own, do not adequately support the work performed by the auditor or the conclusions reached.</i> | |
| - | - | With Part 2.5 Audit Evidence and Documentation General Documentation Requirements | - | Automated Tools and Techniques <i>This [draft] standard does not differentiate between different tools and techniques that the auditor may use to design and perform audit procedures, for example using manual or automated audit procedures with respect to what is required to be documented. Regardless of the tools and techniques used, the auditor is required to comply with relevant documentation requirements.</i> | Paragraph not from the ISAs but specific to the [draft] ISA for LCE – added to provide additional context for use of automated tools and techniques (from Staff document published). |
| Application Material | ISA 230 Paragraph A8 | With Paragraph 2.5.1. Audit Evidence and Documentation General Documentation Requirements | - | <i>Judging the significance of a matter requires professional judgment and the analysis of the facts and circumstances. Examples of significant matters may include matters giving rise</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>to significant risks, areas where the financial statements could be materially misstated, circumstances where the auditor has had difficulty in applying the necessary audit procedures, or any findings that could result in a modified opinion.</i></p> | |
| Application Material | <p>ISA 230 Paragraph A16</p> | <p>With Paragraph 2.5.1. Audit Evidence and Documentation General Documentation Requirements</p> | - | <p><i>In the case of an audit where the engagement partner performs all the audit work, the documentation will not include matters that might have to be documented solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of the team (e.g., there will be no matters to document relating to team discussions or supervision). Nevertheless, the engagement partner complies with the overriding requirement to prepare audit documentation that can be understood by an experienced auditor, as the audit documentation may be subject to review by external parties for regulatory or other purposes.</i></p> | <p>Essential Explanatory Material</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| ISA 260 (Revised), Communication with Those Charged with Governance | | | | | |
| Objectives | ISA 260 (Revised) Paragraph 9 | Paragraph 1.3.1 Fundamental Concepts, General Principles and Overarching Requirements Overall Objectives of the Auditor | The objectives of the auditor are: (a) To communicate clearly with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, and an overview of the planned scope and timing of the audit; (b) To obtain from those charged with governance information relevant to the audit; (c) To provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and (d) To promote effective two-way communication between the auditor and those charged with governance. | The overall objectives of the auditor when conducting an audit of financial statements using the [draft] ISA for LCE are to: (b) Report on the financial statements, and communicate as required by this ISA for LCE, in accordance with the auditor's findings. | <p>1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE? Yes – adapted for the [draft] ISA for LCE which is not presented by topic. Objectives are provided at a broader level because each Part covers various topics and not all are addressed within the objective. All relevant requirements for an audit of an LCE have been included.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes - broader objective for all relevant Parts, together with all objectives and requirements expected to achieve reasonable assurance.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | ISA 260 (Revised) Paragraph 11 Those Charged with Governance | Paragraph 1.8.1 Fundamental Concepts, General Principles and Overarching Requirements General Communications with Management and Those Charged with Governance | The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate. | The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate. | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? - Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 260 (Revised) Paragraph 12 Those Charged with Governance <i>Communication with a Subgroup of Those Charged with Governance</i> | - | If the auditor communicates with a subgroup of those charged with governance, for example, an audit committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body. | - | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No. Structures within an LCE would likely be less complex (i.e., not expected to have sub-groups) therefore this requirement not included in the [draft] ISA for LCE. Should / could the requirement be revised or modified for the circumstances of an LCE? - Do the changes result in requirements that still achieve reasonable assurance? - |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | <p>ISA 260 (Revised) Paragraph 13</p> <p>Those Charged with Governance</p> <p><i>When All of Those Charged with Governance Are Involved in Managing the Entity</i></p> | <p>Paragraph 1.8.4.</p> <p>Fundamental Concepts, General Principles and Overarching Requirements</p> <p>General Communications with Management and Those Charged with Governance</p> | <p>In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this ISA 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. These matters are noted in paragraph 16(c). 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.</p> | <p>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.</p> | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? No. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | <p>ISA 260 (Revised) Paragraph 14</p> <p>Matters to Be Communicated</p> <p><i>The Auditor's Responsibilities in Relation to</i></p> | <p>Paragraph 4.7.1.</p> <p>Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements</p> <p>Specific Communication Requirements</p> | <p>The auditor shall communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, including that:</p> <p>(a) The auditor is responsible for forming and expressing an opinion on the financial statements that have been</p> | <p>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</p> | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | <i>the Financial Statement Audit</i> | <i>Communications with Those Charged with Governance</i> | <p>prepared by management with the oversight of those charged with governance; and</p> <p>(b) The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p> | <p>their responsibilities for oversight of the preparation of the financial statements.</p> | <p>Yes – Modification to sentence structure in line with the drafting guidelines and to increase readability but does not change the substance of the requirement and therefore the outcome of the auditor's actions.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 260 (Revised) Paragraph 15 Matters to Be Communicated <i>Planned Scope and Timing of the Audit</i></p> | <p>Paragraph 5.4.1. Planning Specific Communication Requirements</p> <p>Paragraph 6.7.1. Planning Specific Communication Requirements</p> | <p>The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor.</p> | <p>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.</p> <p>6.7.1. The auditor shall communicate to management, and where appropriate, those charged with governance, the significant risks identified by the auditor.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – Minor modification to recognize the nature of an LCE audit where those charged with governance are often the same as management. All the action aspects of the requirement still retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | <p>ISA 260 (Revised) Paragraph 16 Matters to Be Communicated <i>Significant Findings from the Audit</i></p> | <p>Paragraph 8.8.2.(a)-(c) and (g)-(i) Concluding Specific Communication Requirements</p> | <p>The auditor shall communicate with those charged with governance:</p> <p>(a) The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. When applicable, the auditor shall explain to those charged with governance why the auditor considers a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the particular circumstances of the entity;</p> <p>(b) Significant difficulties, if any, encountered during the audit;</p> <p>(c) Unless all of those charged with governance are involved in managing the entity:</p> <p>(i) Significant matters arising during the audit that were discussed, or subject to correspondence, with management; and</p> | <p>The auditor shall communicate to those charged with governance:</p> <p>(a) The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.</p> <p>(b) Significant difficulties, if any, encountered during the audit.</p> <p>(c) Significant matters arising during the audit that were discussed, or subject to correspondence, with management.</p> <p>(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.</p> <p>(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</p> <p>(f) Circumstances, if any, that affect the form and</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – (a) wording has been modified for drafting principles to make more succinct and direct but broad action to communication to those charged with governance has been retained. To focus on the specific communications with TCWG this requirement now includes other communications also required by other ISAs. (a) ISA 240, Para 43 (b) ISA 250 (Revised), Para's 23 & 24</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – all relevant aspects of the auditor's actions have been retained and expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | (ii) Written representations the auditor is requesting; (d) Circumstances that affect the form and content of the auditor's report, if any; and (e) Any other significant matters arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process. | content of the auditor's report. (g) Written representations the auditor is requesting. (h) Other significant matters, if any, arising from the audit that, in the auditor's professional judgment, are significant 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. | |
| Requirements | ISA 260 (Revised) Paragraph 17 Matters to Be Communicated <i>Auditor Independence</i> | - | In the case of listed entities, the auditor shall communicate with those charged with governance: (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, | - | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No. The [draft] ISA for LCE does not apply to listed entities. Paragraph 17 of ISA 260 (Revised) only applies to listed entities. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? - |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | <p>may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and</p> <p>(ii) In respect of threats to independence that are not at an acceptable level, the actions taken to address the threats, including actions that were taken to eliminate the circumstances that create the threats, or applying safeguards to reduce the threats to an acceptable level.</p> | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | <p>ISA 260 (Revised) Paragraph 18</p> <p>The Communication Process <i>Establishing the Communication Process</i></p> | | <p>The auditor shall communicate with those charged with governance the form, timing and expected general content of communications.</p> | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No – the governance structure likely to be relatively simple in an LCE and a separate communication about what will be communicated not in the nature of the [draft] ISA for LCE. Unlikely to impact obtaining reasonable assurance.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? -</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 260 (Revised) Paragraph 19</p> <p>The Communication Process <i>Forms of Communication</i></p> | <p>Paragraph 8.8.2.(d)</p> <p>Concluding Specific Communication Requirements</p> <p>Paragraph 2.5.8.</p> <p>Audit Evidence and Documentation General Documentation Requirements</p> <p><i>Documentation of the Communications</i></p> | <p>The auditor shall communicate in writing with those charged with governance regarding significant findings from the audit if, in the auditor's professional judgment, oral communication would not be adequate. Written communications need not include all matters that arose during the course of the audit.</p> | <p>8.8.2 The auditor shall communicate to those charged with governance: ... (c) Significant findings from the audit. If, in the auditor's professional judgment, oral communications would not be adequate, this communication shall be in writing.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes - modified to form part of a bulleted list but all key aspects of the requirement retained. The</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | 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. | <p>last sentence has been included in paragraph 2.5.8.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | ISA 260 (Revised) Paragraph 20 The Communication Process <i>Forms of Communication</i> | - | The auditor shall communicate in writing with those charged with governance regarding auditor independence when required by paragraph 17. | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>No.</p> <p>The ISA for LCE does not apply to listed entities. Paragraph 17 of ISA 260 (Revised) only applies to listed entities.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | ISA 260 (Revised) Paragraph 21 The Communication Process | Paragraph 1.8.2. Fundamental Concepts, General Principles and Overarching Requirements General Communications with Management and | The auditor shall communicate with those charged with governance on a timely basis. | The auditor shall communicate, on a timely basis, with management, and, if separate, those charged with governance. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | <i>Timing of Communications</i> | Those Charged with Governance | | | <p>modified for the circumstances of an LCE?</p> <p>Yes – only change is to add “management” and “if separate” in order to reflect the likely circumstance of an LCE - this does not change substance of ISA requirement.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 260 (Revised) Paragraph 22 The Communication Process <i>Adequacy of the Communication Process</i></p> | <p>Paragraph 8.5.3. Concluding The Auditor’s Evaluations and Other Activities to Support the Auditor’s Conclusion <i>Evaluations Required</i></p> | <p>The auditor shall evaluate whether the 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 auditor’s assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence, and shall take appropriate action.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement need to be simplified to make more relevant to the circumstances of an LCE?</p> <p>Yes. Modified the language for drafting principles (to make more succinct and outcome focused) but outcome expected to be similar (i.e., but the broad auditor action is retained).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | ISA 260 (Revised) | Paragraphs 2.5.7. and 2.5.8. | Where matters required by this ISA to be communicated are | 2.5.7 Where matters required to be communicated by this [draft] | <p>1. Is the requirement relevant and appropriate in the</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | Paragraph 23 Documentation | Audit Evidence and Documentation General Documentation Requirements <i>Documentation of the Communications</i> | communicated orally, the auditor shall include them in the audit documentation, and when and to whom they were communicated. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation. | 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. | circumstances of an audit of an LCE? Yes 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – only change is to split into two requirements for drafting principles (i.e., avoiding two “shall’s” where possible). 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirement | - | Para 1.8.3. Fundamental Concepts, General Principles and Overarching Requirements General Communications with Management and Those Charged with Governance | - | 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 charged with governance. When determining the form of communication, the auditor shall consider: (a) Legal requirements for communication; and (b) The significance of the matters to be communicated. | Requirement specific to [draft] ISA for LCE – no equivalent requirement in the ISA. |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 260 (Revised) Paragraphs A2, A3 and A8 | With Paragraph 1.8.2. Fundamental Concepts, General Principles and Overarching Requirements General Communications with Management and Those Charged with Governance | - | <p><i>Governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. Governance is the collective responsibility of a governing body, such as a board of directors, a supervisory board, partners, proprietors, a committee of management, a council of governors, trustees or equivalent.</i></p> <p><i>If those charged with governance are separate from management, the communication requirements to those charged with governance also apply to management, and therefore communication with both would be appropriate.</i></p> <p><i>There may be other cases where it is not clear with whom to communicate, for example in some family-owned businesses, some not-for-profit organizations and some government entities (e.g., the governance structure may not be defined). In such cases the auditor may need to discuss and agree with management or the engaging party with whom communications should be made.</i></p> | Essential Explanatory Material |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 260 Paragraph A49 (part) | With Paragraph 1.8.2. Fundamental Concepts, General Principles and Overarching Requirements General Communications with Management and Those Charged with Governance | - | <i>The appropriate timing for communications will vary with the circumstances of the audit, and may be affected by the significance and nature of the matter, and the actions expected to be taken by those charged with governance.</i> | Essential Explanatory Material |
| Application Material | ISA 260 (Revised) Paragraph A53 | With Paragraph 8.5.3. Concluding The Auditor's Evaluations and Other Activities to Support the Auditor's Conclusions <i>Evaluations Required</i> | - | <i>For example, the original risk assessments may need to be revised, the auditor's opinion may need to be modified on the basis of a scope limitation or other actions may need to be taken as appropriate.</i> | Essential Explanatory Material |
| ISA 300, Planning an Audit of Financial Statements | | | | | |
| Objectives | ISA 300 Paragraph 4 | Paragraph 5.1.1.(a) Planning Objectives | The objective of the auditor is to plan the audit so that it will be performed in an effective manner. | The objectives of the auditor are to: (a) Plan the audit so that it will be performed in an effective manner; and | <ol style="list-style-type: none"> 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the objective be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in the objective that still achieve reasonable assurance? - |

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| Requirements | ISA 300 Paragraph 5 Involvement of Key Engagement Team Members | Paragraph 5.2.1. Planning Planning Activities | The engagement partner and other key members of the engagement team shall be involved in planning the audit, including planning and participating in the discussion among engagement team members. | The engagement partner and other key members of the engagement team shall be involved in planning the audit. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Engagement Team discussions are dealt with separately in paragraph 5.2.6. where the individuals required are addressed. All auditor actions retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | ISA 300 Paragraph 6 Preliminary Engagement Activities | Paragraph 4.4.1. Acceptance or Continuance of an Audit Engagement and Initial Engagements Additional Considerations in Engagement Acceptance Paragraph 5.2.3. Planning Planning Activities Paragraph 3.2.5. Engagement Quality Management The Engagement Partner's Responsibilities | The auditor shall undertake the following activities at the beginning of the current audit engagement: (a) Performing procedures required by ISA 220 regarding the continuance of the client relationship and the specific audit engagement; (b) Evaluating compliance with relevant ethical requirements, including independence, in accordance with ISA 220, and | 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 and that conclusions reached in this regard are appropriate, including the appropriate use of the [draft] ISA for LCE. 5.2.3 The engagement partner shall take into account information obtained in the acceptance and continuance process in planning and performing the audit. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of the ISA for LCE by being separated and included with other related requirements to follow the flow that the audit is</p> |

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| | | <i>Relevant Ethical Requirements</i> | (c) Establishing an understanding of the terms of the engagement, as required by ISA 210. | <p>3.2.5. Throughout the audit engagement, the engagement partner shall:</p> <p>(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</p> <p>(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.</p> <p>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</p> | <p>performed (i.e., at the beginning of the engagement):</p> <ul style="list-style-type: none"> • Paragraph 6(a) of ISA 300 is addressed in paragraphs 4.4.1 and 5.2.3. • Paragraph 6(b) of ISA 300 is addressed in paragraph 3.2.5 and 3.2.6. • Paragraph 6(c) of ISA 300 is addressed in Part 4.5.7. (establishing an understanding of the terms of the engagement is included within requirements relating to acceptance and continuance within the ISA for LCE). <p>All key aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |

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| | | | | <p>appropriate in the circumstances, including:</p> <p>(c) Following the firm's policies or procedures to evaluate the threat; and</p> <p>(d) Consulting with others in the firm.</p> | |
| Requirements | <p>ISA 300 Paragraph 7 Planning Activities</p> | <p>Paragraph 5.2.2. Planning Planning Activities</p> | <p>The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.</p> | <p>The auditor shall set the scope, timing and direction of the audit and:</p> <p>....</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of the ISA for LCE by combining the concepts of an "audit strategy" and an "audit plan", which is more appropriate for audits of LCEs due to the less complex nature of such entities. Paragraphs 7 and 8 have also been combined and language modified for drafting principles and readability. Although an audit strategy is not explicitly required the content of the strategy is still required (i.e., to set the scope, timing and direction of the audit) therefore similar outcome that is appropriate to the nature and</p> |

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| | | | | | <p>circumstances of an LCE is expected to be achieved.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes, expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |
| Requirements | <p>ISA 300 Paragraph 8 Planning Activities</p> | <p>Paragraph 5.2.2.(a)-(e) Planning Planning Activities</p> | <p>In establishing the overall audit strategy, the auditor shall:</p> <p>(a) Identify the characteristics of the engagement that define its scope;</p> <p>(b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;</p> <p>(c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;</p> <p>(d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and</p> <p>(e) Ascertain the nature, timing and extent of resources</p> | <p>....</p> <p>The auditor shall set the scope, timing and direction of the audit and:</p> <p>(a) Identify the characteristics of the engagement that define its scope;</p> <p>(b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;</p> <p>(c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;</p> <p>(d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modified to combine paragraphs 7- 8 and 11 for topics where the auditor's actions appear similar for the purpose of drafting for the nature of the [draft] ISA for LCE. Broad outcomes of this ISA requirement have been retained. In addition, reference is made to considering whether experts are needed as required by ISA 220 (Revised) Paragraph 25 (a general requirement to ensure appropriate and sufficient resources) and ISA 620 Paragraph 7 (as mapped below).</p> |

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| | | | necessary to perform the engagement. | <p>the engagement partner for this entity is relevant;</p> <p>(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</p> <p>...</p> | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 300</p> <p>Paragraph 9</p> <p>Planning Activities</p> | - | <p>The auditor shall develop an audit plan that shall include a description of:</p> <p>(a) The nature, timing and extent of planned risk assessment procedures, as determined under ISA 315 (Revised).</p> <p>(b) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under ISA 330.</p> <p>(c) Other planned audit procedures that are required to be carried out so that the engagement complies with ISAs.</p> | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes. However, these have not been addressed in one standalone requirement, instead including where the related requirements are described in order to follow the flow of the ISA for LCE:</p> <ul style="list-style-type: none"> • Paragraph 9(a) of ISA 300 has been addressed in Part 6 which includes the requirements of ISA 315 (Revised 2019) (specific relevant paragraphs include 6.2.1. and 6.2.2. of ISA for LCE. • Paragraph 9(b) of ISA 300 has been addressed in Part 7 which includes the requirements of ISA 300 (specific relevant paragraphs include |

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| | | | | | <p>paragraphs 7.3.1. and 7.3.2.) of ISA for LCE).</p> <ul style="list-style-type: none"> • Paragraph 9(c) of ISA 300 has been addressed throughout ISA for LCE. <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 300</p> <p>Paragraph 10</p> <p>Planning Activities</p> | <p>Paragraph 5.2.5.</p> <p>Planning</p> <p>Planning Activities</p> | <p>The auditor shall update and change the overall audit strategy and the audit. plan as necessary during the course of the audit.</p> | <p>The auditor shall update and change the scope, timing and direction as necessary during the audit.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. modified to recognize not a separate strategy as explained above, although the underlying requirements are required.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – the key aspects of the requirement have been retained.</p> |

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| Requirements | ISA 300 Paragraph 11 Planning Activities | Paragraph 5.2.2.(f) Planning Planning Activities | The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work. | The auditor shall set the scope, timing and direction of the audit and: (f) Plan the nature, timing and extent of direction and supervision of engagement team members and review of their work. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – this has been combined with paragraph 8, but no changes made to the required auditor action.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | ISA 300 Paragraph 12 Documentation | Paragraph 5.5.1. Paragraph 5.5.2. Planning Specific Documentation Requirements | The auditor shall include in the audit documentation: (a) The overall audit strategy; (b) The audit plan; and (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes. | 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. 5.5.2. The auditor shall include in the audit documentation a description of: (a) The nature, timing and extent of planned risk | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirement has been adapted to the circumstances of an audit of an LCE to take into account that the concepts of an “audit strategy” and an “audit plan” have been combined in the ISA for LCE. All key aspects of auditor action retained.</p> |

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| | | | | <p>identification and assessment procedures.</p> <p>(b) The nature, timing and extent of planned further audit procedures at the financial statement and assertion level.</p> <p>(c) Other planned audit procedures that are required to be carried out so that the engagement complies with the requirements of this [draft] standard.</p> | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 300 Paragraph 13 Additional Considerations in Initial Audit Engagements</p> | <p>Paragraph 4.6.1. Acceptance or Continuance of an Audit Engagement and Initial Engagements Initial Audit Engagements</p> | <p>The auditor shall undertake the following activities prior to starting an initial audit:</p> <p>(a) Performing procedures required by ISA 220 regarding the acceptance of the client relationship and the specific audit engagement; and</p> <p>(b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements.</p> | <p>If the engagement is an initial audit and there has been a change in auditors, the auditor shall communicate with the predecessor auditor, in compliance with relevant ethical requirements.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. The requirement has been adapted to the structure of the ISA for LCE:</p> <p>(a) Relevant procedures in ISA 220 have been included in the ISA for LCE (as mapped in this document) - where applicable the requirements have not been duplicated where there is no</p> |

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| | | | | | <p>incremental requirement or auditor action.</p> <p>(b) Minor modification to the language used in the requirement for drafting principles and to improve its readability. All key aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Application Material | ISA 300 Paragraph A17 | With Paragraph 3.2.12. Engagement Quality Management The Engagement Partner's Responsibilities <i>Other Engagement Partner's Responsibilities</i> | - | <i>Forming an objective view on the appropriateness of the judgments made in the course of the audit can present practical problems when the same individual also performed the entire audit. If unusual issues are involved, it may be desirable to consult with other suitably-experienced auditors or the auditor's professional body.</i> | Essential Explanatory Material |
| Application Material | ISA 300 Paragraph A5 | With Part 4.5. Acceptance or Continuance of an Audit Engagement and Initial Engagements Terms of the Audit Engagement | - | <i>Performing acceptance or continuance procedures before planning commences assists the auditor in identifying and evaluating events or circumstances that may adversely affect the auditor's ability to plan and perform the current engagement.</i> | Essential Explanatory Material |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 300, Paragraph A1 ISA 315 (Revised 2019) Paragraph A44 ISA 300, paragraph A22 | With Part 5.2. Planning Planning Activities | - | <p><i>The nature, timing and extent of planning activities will vary according to the nature and circumstances of the entity, the size and nature of the engagement team, the engagement team members' previous experience with the entity and any changes in circumstances that occur during the audit engagement. When an engagement is carried out by a single individual some of the requirements may not be relevant (e.g., the engagement team discussion), however consideration may still be given to the matters within the relevant paragraphs as they may still assist the auditor.</i></p> <p><i>The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements.</i></p> | Essential Explanatory Material |

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| Application Material | ISA 300 Paragraph A11 | With Paragraph 5.2.2. Planning Planning Activities | | <i>In the audit of an LCE, establishing the scope, timing and direction of the audit need not be a complicated or time-consuming exercise. For example, a suitable brief memorandum prepared at the completion of the previous audit, based on inspection of the working papers and highlighting issues identified in the audit just completed, updated in the current period based on discussions with the owner-manager, can serve as the documented scope, timing and direction for the current audit engagement. Standard audit programs or checklists created based on the assumption of few identified control, as is likely to be the case in a less complex entity, may be used provided that they are tailored to the circumstances of the engagement, including the auditor's risk assessments.</i> | Essential Explanatory Material |
| ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement | | | | | |
| Requirements | ISA 315 (Revised 2019) Paragraph 11 Objective | Paragraph 6.1.1. Risk Identification and Assessment Objective | The objective of the auditor is 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 | 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 | 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes. |

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| | | | responses to the assessed risks of material misstatement. | and implementing responses to the assessed risks of material misstatement. | <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 13 Risk Assessment Procedures and Related Activities</p> | <p>Paragraph 6.2.1. Risk Identification and Assessment Procedures for Identifying and Assessing Risks and Related Activities</p> <p>Paragraph 1.4.6. Fundamental Concepts, General Principles and Overarching Requirements Fundamental Concepts and General Principles for Performing the Audit <i>Professional Skepticism</i></p> | <p>The auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for:</p> <p>(a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and</p> <p>(b) The design of further audit procedures in accordance with ISA 330.</p> <p>The auditor shall design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.</p> | <p>6.2.1 The auditor shall design and perform procedures to obtain audit evidence that provides an appropriate basis for:</p> <p>(a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and</p> <p>(b) The design of further audit procedures.</p> <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – Intro, and (a) and (b) fully addressed except changes do not distinguish risk assessment procedures from other procedures (the nature and extent is explained throughout). Hanging paragraph is included at paragraph 1.4.6 with modifications for readability and to include all procedures rather than specific to risk assessment procedures. All key auditor actions retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> |

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| | | | | | Yes. |
| Requirements | ISA 315 (Revised 2019) Paragraph 14 Risk Assessment Procedures and Related Activities | Paragraph 6.2.2. Risk Identification and Assessment Procedures for Identifying and Assessing Risks and Related Activities | The risk assessment procedures shall include the following: (a) Inquiries of management and of other appropriate individuals within the entity, including individuals within the internal audit function (if the function exists). (b) Analytical procedures. (c) Observation and inspection. | The procedures to identify and assess risks of material misstatement shall include: (a) Inquiries of management, and other appropriate individuals within the entity; (b) Analytical procedures; and (c) Observation and inspection. | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes: <ul style="list-style-type: none"> First bullet fully aligns with the exception of the internal audit function (not addressed within ISA for LCE). Second and third bullets fully align. All relevant auditor's actions from the ISA requirement have been retained. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 315 (Revised 2019) Paragraph 15 Risk Assessment Procedures | Paragraph 6.2.4. Risk Identification and Assessment Procedures for Identifying and Assessing Risks and Related Activities | In obtaining audit evidence in accordance with paragraph 13, the auditor shall consider information from: (a) The auditor's procedures regarding acceptance or continuance of the client | When identifying risks of material misstatement, including arising from fraud, the auditor shall consider information from all procedures designed and performed for risk identification to determine whether fraud risk factors are present, including: | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or |

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| | <p>and Related Activities <i>Information from Other Sources</i></p> | | <p>relationship or the audit engagement; and (b) When applicable, other engagements performed by the engagement partner for the entity.</p> | <p>(a) The acceptance or continuance procedures; and (b) When applicable, other engagements performed by the engagement partner for the entity.</p> | <p>modified for the circumstances of an LCE? Yes – Modified the requirement for readability and built in identifying risk of material misstatement (ROMM) arising from fraud so that the auditor is thinking about fraud and error simultaneously consistent with the intended design of the ISA for LCE. Auditor action to consider is retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 16 Risk Assessment Procedures and Related Activities <i>Information from Other Sources</i></p> | <p>Paragraph 5.2.4.-Planning Planning Activities</p> | <p>When the auditor intends to use information obtained from the auditor’s previous experience with the entity and from audit procedures performed in previous audits, the auditor shall evaluate whether such information remains relevant and reliable as audit evidence for the current audit.</p> | <p>- 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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – slightly modified to make the sentence more succinct in line with the intended design of the [draft] ISA for LCE. Auditor action to evaluate the relevance and reliability of information obtained from a previous audit is retained.</p> |

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| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 17 Risk Assessment Procedures and Related Activities <i>Engagement Team Discussion</i></p> | <p>Paragraph 5.2.6.(a) Planning Planning Activities <i>Engagement Team Discussion</i></p> | <p>The engagement partner and other key engagement team members shall discuss the application of the applicable financial reporting framework and the susceptibility of the entity's financial statements to material misstatement.</p> | <p>The engagement partner and other key engagement team members shall discuss the susceptibility of the entity's financial statements to material misstatement, including:</p> <p>(a) The application of the applicable financial reporting framework to the entity's facts and circumstances.</p> <p>....</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – combined with fraud considerations as part of a bulleted list, but auditor's action in the requirement has been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 18 Risk Assessment Procedures and Related Activities <i>Engagement Team Discussion</i></p> | <p>Paragraph 5.2.7. Planning Planning Activities <i>Engagement Team Discussion</i></p> | <p>When there are engagement team members not involved in the engagement team discussion, the engagement partner shall determine which matters are to be communicated to those members</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> |

Mapping Documents: ISAs to Proposed ISA for LCE (Document 1 of 2)

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| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |

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| <p>Requirements</p> | <p>ISA 315 (Revised 2019) Paragraph 19 Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control <i>Understanding the Entity and Its Environment, and the Applicable Financial Reporting Framework</i></p> | <p>Paragraph 6.3.5. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Inherent Risk Factors</i> Paragraph 6.3.1. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity and Its Environment</i> Paragraph 6.3.3. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Applicable Financial Reporting Framework</i></p> | <p>The auditor shall perform risk assessment procedures to obtain an understanding of:</p> <p>(a) The following aspects of the entity and its environment:</p> <p>(i) The entity's organizational structure, ownership and governance, and its business model, including the extent to which the business model integrates the use of IT;</p> <p>(ii) Industry, regulatory and other external factors; and</p> <p>(iii) The measures used, internally and externally, to assess the entity's financial performance;</p> <p>(b) The applicable financial reporting framework, and the entity's accounting policies and the reasons for any changes thereto; and</p> <p>(c) How inherent risk factors affect susceptibility of assertions to misstatement and the degree to which they do so, in the preparation of the financial statements in accordance with the applicable financial reporting framework, based on the understanding obtained in (a) and (b).</p> | <p>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.</p> <p>6.3.1. The auditor shall understand:</p> <p>(a) The entity's organizational structure, ownership and governance, business model (including how the entity uses IT in its business model).</p> <p>(b) The industry and other external factors.</p> <p>(c) How the entity's financial performance is measured internally and externally.</p> <p>(d) The legal and regulatory framework applicable to the entity, and how the entity is complying with that framework.</p> <p>(e) The entity's transactions and other events and conditions that may give rise to accounting estimates that are recognized or disclosed.</p> <p>(f) Agreements or relationships that may result in unrecognized</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – restructured as appropriate for circumstances of an LCE and:</p> <ul style="list-style-type: none"> • Rearticulated some aspects in para. 6.3.1. but did not lose the focus of the understanding • Inherent risk factors separately addressed in para. 6.3.5. • The applicable financial reporting framework is addressed in para. 6.3.3. <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – all key aspects of the understanding are still required.</p> |
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| | | | | liabilities, future commitments or changes to current asset valuations through inspecting minutes of meetings and correspondence with legal counsel and inspecting legal expense accounts. 6.3.3. The auditor shall understand: (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. (b) The entity's accounting policies and reasons for any changes thereto. | |
| Requirements | ISA 315 (Revised 2019) Paragraph 20 Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial | Paragraph 6.34. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Applicable Financial Reporting Framework</i> | The auditor shall evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework. | The auditor shall evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. |

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| | <p>Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Entity and Its Environment, and the Applicable Financial Reporting Framework</i></p> | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 21</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of</i></p> | <p>Paragraph 6.3.6.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> <p><i>Understanding the Entity's Internal Control System</i></p> | <p>The auditor shall obtain an understanding of the control environment relevant to the preparation of the financial statements, through performing risk assessment procedures, by:</p> <p>(a) Understanding the set of controls, processes and structures that address:</p> <p>(i) How management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values;</p> <p>(ii) When those charged with governance are separate from</p> | <p>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:</p> <p>(a) How management, and where appropriate, those charged with governance,</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – some aspects of the ISA requirement of less significance in the circumstances of an LCE, so modification made to reflect the aspects most likely to drive the control environment in an LCE. Also have focused on the outcome of what is to be achieved but not lost the overall understanding that would be required in typical</p> |

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| | <p><i>the Entity's System of internal Control</i></p> <p>Control Environment</p> | | <p>management, the independence of, and oversight over the entity's system of internal control by, those charged with governance;</p> <p>(iii) The entity's assignment of authority and responsibility;</p> <p>(iv) How the entity attracts, develops, and retains competent individuals; and</p> <p>(v) How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the system of internal control;</p> <p>and</p> <p>(b) Evaluating whether:</p> <p>(i) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior;</p> <p>(ii) The control environment provides an appropriate foundation for the other components of the entity's system of internal control</p> | <p>oversee the entity, and demonstrate integrity and ethical values;</p> <p>(b) The entity's assignment of authority and responsibility;</p> <p>(c) The culture of the entity, including whether the culture supports honesty and ethical behavior; and</p> <p>(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.</p> | <p>circumstances of an LCE. The aspect of performing "risk assessment procedures" has not been addressed as these have only been referred to as 'procedures' in this Part.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – objective is to determine whether the control environment provides a foundation for the other components of IC – approached in a different construct in ISA for LCE but outcome from auditor's required actions expected to be the similar.</p> |

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| | | | <p>considering the nature and complexity of the entity; and</p> <p>(iii) Control deficiencies identified in the control environment undermine the other components of the entity's system of internal control.</p> | | |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 22</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of the Entity's System of internal Control</i></p> <p>The Entity's Risk</p> | <p>Paragraph 6.3.7.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> <p><i>Understanding the Entity's Internal Control System</i></p> | <p>The auditor shall obtain an understanding of the entity's risk assessment process relevant to the preparation of the financial statements, through performing risk assessment procedures, by:</p> <p>(a) Understanding the entity's process for:</p> <p>(i) Identifying business risks relevant to financial reporting objectives;</p> <p>(ii) Assessing the significance of those risks, including the likelihood of their occurrence; and</p> <p>(iii) Addressing those risks;</p> <p>and</p> <p>(b) Evaluating whether the entity's risk assessment process is appropriate to the entity's circumstances considering the nature and complexity of the entity.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – nature of risk assessment procedures in LCE would likely be less formal; the ISA for LCE requirement is focused on appropriateness of risk assessment process for an LCE but still consider and evaluate appropriateness through understanding.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE (i.e., determining whether risk</p> |

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| | Assessment System | | | | assessment process is appropriate to nature and circumstances of entity). |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 23</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of the Entity's System of internal Control</i></p> <p>The Entity's Risk Assessment System</p> | - | <p>If the auditor identifies risks of material misstatement that management failed to identify, the auditor shall:</p> <p>(a) Determine whether any such risks are of a kind that the auditor expects would have been identified by the entity's risk assessment process and, if so, obtain an understanding of why the entity's risk assessment process failed to identify such risks of material misstatement; and</p> <p>(b) Consider the implications for the auditor's evaluation in paragraph 22(b).</p> | - | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>No – typical LCE is less likely not to have formal processes around risk assessment in an audit of an LCE, the risk assessment at a LCE is likely to be straightforward or not significant to the overall risk assessment. It is unlikely that this requirement would result in a difference to the auditor's risk assessment overall in the nature and circumstance of a typical LCE.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |

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| Requirements | <p>ISA 315 (Revised 2019) Paragraph 24</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of the Entity's System of Internal Control</i></p> <p>The Entity's Process to Monitor the System of Internal Control</p> | <p>Paragraph 6.3.8.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> <p><i>Understanding the Entity's Internal Control System</i></p> | <p>The auditor shall obtain an understanding of the entity's process for monitoring the system of internal control relevant to the preparation of the financial statements, through performing risk assessment procedures, by:</p> <p>(a) Understanding those aspects of the entity's process that address:</p> <p>(i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified; (Ref: Para. A116–A117) and</p> <p>(ii) The entity's internal audit function, if any, including its nature, responsibilities and activities; (Ref: Para. A118)</p> <p>(b) Understanding the sources of the information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – nature of monitoring internal control in a typical LCE would likely be less formal; requirement is focused on appropriateness of monitoring internal control and evaluating for the nature and circumstances of the entity. Internal audit is not addressed as not included in scope of standard.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE (i.e., determining whether risk monitoring internal control is appropriate to nature and circumstances of entity).</p> |

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| | | | <p>sufficiently reliable for the purpose;</p> <p>and</p> <p>(c) Evaluating whether the entity's process for monitoring the system of internal control is appropriate to the entity's circumstances considering the nature and complexity of the entity.</p> | | |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 25</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of the Entity's System of Internal Control</i></p> | <p>Paragraphs 6.3.9.-6.3.11.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> <p><i>Understanding the Entity's Internal Control System</i></p> | <p>The auditor shall obtain an understanding of the entity's information system and communication relevant to the preparation of the financial statements, through performing risk assessment procedures, by:</p> <p>(a) Understanding the entity's information processing activities, including its data and information, the resources to be used in such activities and the policies that define, for significant classes of transactions, account balances and disclosures:</p> <p>(i) How information flows through the entity's information system, including how:</p> <p>a. Transactions are initiated, and how information about</p> | <p>6.3.9. The auditor shall understand the information system relevant to the preparation of the financial statements, including:</p> <p>(a) For significant classes of transactions, account balances and disclosures, how those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements, as well as:</p> <p>(i) How the information system captures, processes and discloses events and conditions, other than transactions;</p> <p>(ii) The accounting records, specific accounts in the</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – the requirement has been modified for drafting principles and readability for the nature of the LCE standard (e.g., very complex paragraph structure in ISA) – similar understanding and outcome is expected to be achieved. Understanding the entity's communication has also been separated but is still expected to have similar outcome for the understanding required.</p> |

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| | The Entity's Process to Monitor the System of Internal Control | | <p>them is recorded, processed, corrected as necessary, incorporated in the general ledger and reported in the financial statements; and</p> <p>b. Information about events and conditions, other than transactions, is captured, processed and disclosed in the financial statements;</p> <p>(ii) The accounting records, specific accounts in the financial statements and other supporting records relating to the flows of information in the information system;</p> <p>(iii) The financial reporting process used to prepare the entity's financial statements, including disclosures; and</p> <p>(iv) The entity's resources, including the IT environment, relevant to (a)(i) to (a)(iii) above;</p> <p>(b) Understanding how the entity communicates</p> | <p>financial statements and other supporting records for the flows of information;</p> <p>(iii) The entity's resources used in the financial reporting process;</p> <p>(iv) The financial reporting process used to prepare the entity's financial statements, including disclosures; and</p> <p>(b) The IT environment relevant to (a)(i) to (iv) above.</p> <p>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).</p> <p>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</p> | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – all key aspects of the understanding required have been addressed, and expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |

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| | | | <p>significant matters that support the preparation of the financial statements and related reporting responsibilities in the information system and other components of the system of internal control:</p> <ul style="list-style-type: none"> (i) Between people within the entity, including how financial reporting roles and responsibilities are communicated; (ii) Between management and those charged with governance; and (iii) With external parties, such as those with regulatory authorities; <p>(c) Evaluating whether the entity's information system and communication appropriately support the preparation of the entity's financial statements in accordance with the applicable financial reporting framework.</p> | <p>accordance with the applicable financial reporting framework.</p> | |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 26</p> <p>Obtaining an Understanding of the Entity and Its</p> | <p>Paragraph 6.3.14.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> | <p>The auditor shall obtain an understanding of the control activities component, through performing risk assessment procedures, by:</p> <ul style="list-style-type: none"> (a) Identifying controls that address risks of material | <p>The auditor shall identify controls that address risks of material misstatement at the assertion level as follows:</p> <ul style="list-style-type: none"> (a) Controls that address risks determined to be significant risks; | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or |

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| | <p>Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of the Entity's System of internal Control</i></p> <p>Control Activities</p> | <p><i>Understanding the Entity's Internal Control System</i></p> | <p>misstatement at the assertion level in the control activities component as follows:</p> <p>(i) Controls that address a risk that is determined to be a significant risk;</p> <p>(ii) Controls over journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments;</p> <p>(iii) Controls for which the auditor plans to test operating effectiveness in determining the nature, timing and extent of substantive testing, which shall include controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence; and</p> <p>(iv) Other controls that the auditor considers are appropriate to enable the auditor to meet the objectives of paragraph 13 with respect to risks at the assertion level, based on the auditor's professional judgment;</p> | <p>(b) Controls over journal entries including to record non-recurring unusual transactions or adjustments;</p> <p>(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;</p> <p>(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;</p> <p>(e) If applicable, controls that relate to information processed by a service organization; and</p> <p>(f) Controls, if any, to identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial</p> | <p>modified for the circumstances of an LCE?</p> <p>Yes – complex structure of requirement has been modified for drafting principles and readability, IT related requirements ((b) and (c)) below has been covered in a separate requirement (paragraph 6.3.15 as mapped below). Otherwise, all controls required to be understood are the same as in the control activities component in the ISA – in ISA for LCE additional areas incorporated for other ISAs (includes ISA 402 para 10 and ISA 550 para 14). In addition, the component – control activities – has not been named specifically to avoid confusion that is associated with this term. Rather more direct language used.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – same controls required to be identified and D&I required for these controls, all key aspects of the requirement have been retained.</p> |

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| | | | <p>(b) Based on controls identified in (a), identifying the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT</p> <p>For such IT applications and other aspects of the IT environment identified in (b) identifying:</p> <ul style="list-style-type: none"> (i) The related risks arising from the use of IT; and (ii) The entity's general IT controls that address such Risks; and <p>(d) For each control identified in (a) or (c)(ii):</p> <ul style="list-style-type: none"> (i) Evaluating 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 (ii) Determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel. | <p>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.</p> <p>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.</p> | |

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| Requirements | <p>ISA 315 (Revised 2019) Paragraph 26</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Understanding the Components of the Entity's System of internal Control</i></p> <p>Control Activities</p> | <p>Paragraphs 6.3.15. and 6.3.16.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> <p><i>Understanding the Entity's Internal Control System</i></p> | <p>The auditor shall obtain an understanding of the control activities component, through performing risk assessment procedures, by:</p> <p>(a) Identifying controls that address risks of material misstatement at the assertion level in the control activities component as follows:</p> <p>...</p> <p>(b) Based on controls identified in (a), identifying the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT;</p> <p>(c) For such IT applications and other aspects of the IT environment identified in (b), identifying:</p> <p>(i) The related risks arising from the use of IT; and</p> <p>(ii) The entity's general IT controls that address such risks;</p> <p>and</p> <p>(d) For each control identified in (a) or (c)(ii):</p> <p>(i) Evaluating whether the control is designed effectively to address</p> | <p>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.</p> <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – complex structure in ISA has been modified to make more succinct and action based for nature of LCE standard, but all key aspects of understanding IT matters retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – all key aspects of the understanding and D&I retained.</p> |

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| | | | <p>the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls; and</p> <p>(ii) Determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.</p> | | |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 27</p> <p>Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p><i>Control Deficiencies Within the Entity's System of Internal Control</i></p> | <p>Paragraph 6.3.13.</p> <p>Risk Identification and Assessment</p> <p>Understanding Relevant Aspects of the Entity</p> <p><i>Understanding the Entity's Internal Control System</i></p> | <p>Based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies have been identified.</p> | <p>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.</p> | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – but modified to be explicit where the deficiencies in the internal control are identified. No changes to the expected action of the auditor. Do the changes result in requirements that still achieve reasonable assurance? Yes – outcome of identifying deficiencies when understanding the various component of the system of internal control have been retained. |

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| Requirements | <p>ISA 315 (Revised 2019) Paragraph 28</p> <p>Identifying and Assessing the Risks of Material Misstatement</p> <p><i>Identifying Risks of Material Misstatement</i></p> | <p>Paragraph 6.4.1.</p> <p>Risk Identification and Assessment</p> <p>Identifying Risks of Material Misstatement</p> | <p>The auditor shall identify the risks of material misstatement and determine whether they exist at:</p> <p>(a) The financial statement level; or</p> <p>(b) The assertion level for classes of transactions, account balances and disclosures.</p> | <p>The auditor shall identify the risks of material misstatement, due to fraud or error, at:</p> <p>(a) The financial statement level; and</p> <p>(b) The assertion level for classes of transactions, account balances, and disclosures.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Have left out “determine whether they exist” for succinctness and to be action focused– the LCE Task Force is of the view that the outcome of the auditor’s action would not be different.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 29</p> <p>Identifying and Assessing the Risks of Material Misstatement</p> <p><i>Identifying Risks of Material Misstatement</i></p> | <p>Paragraph 6.4.3.</p> <p>Risk Identification and Assessment</p> <p>Identifying Risks of Material Misstatement</p> | <p>The auditor shall determine the relevant assertions and the related significant classes of transactions, account balances and disclosures</p> | <p>The auditor shall determine the relevant assertions and the related significant classes of transactions, account balances and disclosures.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 30 Identifying and Assessing the Risks of Material Misstatement <i>Assessing Risks of Material Misstatement at the Financial Statement Level</i></p> | <p>Paragraph 6.5.1.(a) Risk Identification and Assessment Risk Assessment <i>Assessing Inherent Risk</i></p> | <p>For identified risks of material misstatement at the financial statement level, the auditor shall assess the risks and:</p> <p>(a) Determine whether such risks affect the assessment of risks at the assertion level; and</p> <p>(b) Evaluate the nature and extent of their pervasive effect on the financial statements.</p> | <p>For identified risks of material misstatement, the auditor shall assess:</p> <p>(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</p> <p>.....</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – paragraphs 30 and 31 of ISA 315 (Revised 2019) are combined – same aspects of assessment at financial statement level required in combined requirement.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes – no changes to outcome for what is required for assessment at financial statement level.</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 31 Identifying and Assessing the Risks of Material Misstatement</p> | <p>Paragraph 6.5.1.(b) Risk Identification and Assessment Risk Assessment <i>Assessing Inherent Risk</i></p> | <p>For identified risks of material misstatement at the assertion level, the auditor shall assess inherent risk by assessing the likelihood and magnitude of misstatement. In doing so, the auditor shall take into account how, and the degree to which:</p> | <p>For identified risks of material misstatement, the auditor shall assess:</p> <p>....</p> <p>(b) Inherent risk for identified risks of material misstatement at the assertion level by</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or</p> |

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| | <p><i>Assessing Risks of Material Misstatement at the Assertion Level</i></p> <p>Assessing Inherent Risk</p> | | <p>(a) Inherent risk factors affect the susceptibility of relevant assertions to misstatement; and</p> <p>(b) The risks of material misstatement at the financial statement level affect the assessment of inherent risk for risks of material misstatement at the assertion level.</p> | <p>assessing the likelihood and magnitude of misstatement. In doing so, the auditor shall take into account the degree to which inherent risk factors, affect the susceptibility of relevant assertions to misstatement.</p> | <p>modified for the circumstances of an LCE?</p> <p>Yes – paragraphs 30 and 31 of ISA 315 (Revised 2019) are combined – with same aspects of assessment at assertion level required in combined requirement, except taking into account the inherent risk factors rearticulated.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – no expected changes to outcome for what is required for assessment at assertion level.</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 32</p> <p>Identifying and Assessing the Risks of Material Misstatement</p> <p><i>Assessing Risks of Material Misstatement at the Assertion Level</i></p> <p>Assessing Inherent Risk</p> | <p>Paragraph 6.5.4.</p> <p>Risk Identification and Assessment</p> <p>Risk Assessment</p> <p><i>Significant Risks</i></p> | <p>The auditor shall determine whether any of the assessed risks of material misstatement are significant risks.</p> | <p>The auditor shall determine whether any of the assessed risks of material misstatement are, in the auditor’s professional judgment, a significant risk.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>No changes to requirement in ISA but professional judgment has been added to emphasize that it is a judgment.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – same minimum requirement.</p> |

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| Requirements | | <p>Paragraphs 6.5.7.</p> <p>Risk Identification and Assessment</p> <p>Risk Assessment</p> <p><i>Significant Risks</i></p> | | <p>6.5.7 The auditor shall treat the following as significant risks:</p> <p>(a) Identified fraud risks including:</p> <p>(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.</p> <p>(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</p> <p>(b) Identified significant related party transactions outside</p> | <p>This paragraph (not in ISA 315 (Revised 2019)) – combines various requirements from other ISAs related to significant risks into one requirement within the ISA for LCE.:</p> <p>-(a) from para 63 and 74 of ISA 240</p> <p>-(b) from para 18 of ISA 550</p> |

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| | | | | the entity's normal course of business. | |
| Requirements | ISA 315 (Revised 2019) Paragraph 33 Identifying and Assessing the Risks of Material Misstatement <i>Assessing Risks of Material Misstatement at the Assertion Level</i> Assessing Inherent Risk | Paragraph 6.5.3. Risk Identification and Assessment Risk Assessment <i>Assessing Inherent Risk</i> | 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. | 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. | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? No. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 315 (Revised 2019) Paragraph 34 Identifying and Assessing the Risks of Material Misstatement <i>Assessing Risks of Material Misstatement at the Assertion Level</i> Assessing Control Risk | Paragraph 6.5.8. Risk Identification and Assessment Risk Assessment <i>Assessing Control Risk</i> | If the auditor plans to test the operating effectiveness of controls, the auditor shall assess control risk. If the auditor does not plan to test the operating effectiveness of controls, the auditor's assessment of control risk shall be such that the assessment of the risk of material misstatement is the same as the assessment of inherent risk. | 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. | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – changes to sentence structure to make more direct in line with drafting principles but no change to the outcome of the auditor's action. Do the changes result in requirements that still achieve reasonable assurance? |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | | Yes – expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE |
| Requirements | ISA 315 (Revised 2019) Paragraph 35 Identifying and Assessing the Risks of Material Misstatement <i>Evaluating the Audit Evidence Obtained from the Risk Assessment Procedures</i> | Paragraph 6.5.9. Risk Identification and Assessment Risk Assessment <i>Evaluation of the Procedures to Identify and Assess Risks of Material Misstatement and Revision of Risk Assessment</i> | The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional risk assessment 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 risk assessment procedures, whether corroborative or contradictory to assertions made by management | 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. | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – requirements included in full other than minor modification to use “additional procedures” rather than “additional risk assessment procedures” (further explained above). Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 315 (Revised 2019) Paragraph 36 Identifying and Assessing the Risks of Material Misstatement | - | For material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures, the auditor shall evaluate whether the auditor’s determination remains appropriate. | - | <ol style="list-style-type: none"> Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No – the nature of classes of transactions, account balances and disclosures in an LCE are expected to be simpler and not made up from numerous |

| Section | Reference & Heading | | Text | | Comparison |
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| | <i>Classes of Transactions, Account Balances and Disclosures that Are Not Significant, but Which Are Material</i> | | | | <p>disaggregated sources, therefore the determination of significant classes of transactions, account balances and disclosures in an audit of an LCE risk assessment is likely performed in one step (vs. multiple steps for larger more complex audits). In addition, it is expected there would be an overall understanding of the significant accounts based on prior knowledge or other risk assessment procedures performed.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 315 (Revised 2019) Paragraph 37</p> <p>Identifying and Assessing the Risks of Material Misstatement</p> <p><i>Revision of Risk Assessment</i></p> | <p>Paragraph 6.5.10.</p> <p>Risk Identification and Assessment</p> <p>Risk Assessment</p> <p><i>Evaluation of the Procedures to Identify and Assess Risks of Material Misstatement and Revision of Risk Assessment</i></p> | <p>If the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification or assessments of the risks of material misstatement, the auditor shall revise the identification or assessment.</p> | <p>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</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modified and combined for drafting purposes for nature</p> |

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| | | | | 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. | of [draft] ISA for LCE but key actions of auditor retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes – expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE. |
| Requirements | ISA 315 (Revised 2019) Paragraph 38 Documentation | Paragraph 6.8.1.(a) and (c)-(e) Risk Identification and Assessment Specific Documentation Requirements | The auditor shall include in the audit documentation: (i) The discussion among the engagement team and the significant decisions reached; (ii) Key elements of the auditor's understanding in accordance with paragraphs 19, 21, 22, 24 and 25; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed; (iii) The evaluation of the design of identified controls, and determination whether such controls have been implemented, in accordance with the requirements in paragraph 26; and (iv) The identified and assessed risks of material misstatement at the financial statement level and at the | 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: (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; (b) The names of the identified related parties (including changes from prior period) 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 at the assertion level, including significant risks | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – and other matters included from other ISAs relevant to risk identification and assessment: -First bullet (a) aligns with (i) of ISA 315 (Revised 2019) – no specific references to paragraphs; risk assessment performed covered by general documentation requirements in Part 2.5 -Internal control covered by (e) (same reference to specific controls paragraph same as control activities in ISA 315 (Revised 2019)) |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | <p>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.</p> | <p>and risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, and the rationale for the significant judgments made;</p> <p>(d) If applicable, the reasons for the conclusion that there is not a risk of material misstatement due to fraud related to revenue recognition.</p> <p>(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</p> <p>(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.</p> | <p>-(b) from ISA 550</p> <p>-(c) aligns with (iv) of ISA 315 (Revised 2019)</p> <p>-In (iv) of ISA 315 (Revised 2019) significant judgments have been covered by general documentation requirements in Part 2.5</p> <p>- (f) relates to ISA 540 (Revised) and (g) relates to ISA 250 (Revised)</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes –matters to be documented are similar.</p> |

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| Requirements | - | <p>Paragraph 6.5.11.</p> <p>Risk Identification and Assessment</p> <p>Risk Assessment</p> <p><i>Evaluation of the Appropriateness of Using the ISA for LCE</i></p> | - | <p>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.</p> | <p>This “stand back” requirement for using the [draft] ISA for LCE to perform an audit is not addressed in the ISAs. This requirement has been included in the ISA for LCE to evaluate the appropriate use of the ISA for LCE once risk identification and assessment has been done and the auditor has a more thorough understanding of the entity.</p> |
| Requirements | - | <p>Paragraph 6.8.2.</p> <p>Planning</p> <p>Specific Documentation Requirements</p> | - | <p>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.</p> | <p>There is no ISA requirement – this is specific to the auditor’s evaluation of the applicability of the [draft] ISA for LCE (as explained above).</p> |
| Application Material | <p>ISA 315 (Revised 2019)</p> <p>Paragraph A84</p> | <p>Paragraph 1.9.2.</p> <p>Fundamental Concepts, General Principles and Overarching Requirements</p> <p>Public Sector Entities</p> | - | <p>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</p> | <p>Included to provide context to the use of the [draft] ISA for LCE for public sector entities.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | the International Public Sector Accounting Standards, or a hybrid. | |
| - | ISA 315 (Revised 2019) Paragraph A58 | Paragraph 1.9.3. Fundamental Concepts, General Principles and Overarching Requirements Public Sector Entities | - | 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 sector entities to control or influence the entity's mandate and strategic direction. | Included to provide context to the use of the [draft] ISA for LCE for public sector entities. |
| Introduction | ISA 315 Revised 2019) Paragraph 7 Introduction Key Concepts in the ISA | With Paragraph 6.1.1. Risk Identification and Assessment Objective | | <i>Understanding the entity and its environment, the applicable financial reporting framework and the entity's internal control system enables the auditor to identify and assess the risks of material misstatement. The auditor's risk identification and assessment process is iterative and dynamic. The auditor's understanding of the entity and its environment, the applicable financial reporting framework, and the entity's internal control system are interdependent with concepts within the</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <i>requirements to identify and assess the risks of material misstatement.</i> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A17 Example and Paragraph A15 | With Paragraph 6.2.1. Risk Identification and Assessment Procedures for Identifying and Assessing Risks and Related Activities | - | <i>The auditor uses professional judgment to determine the nature and extent of the procedures to be performed, which may vary with the formality of the entity's policies and procedures. Some less complex entities, and particularly owner-managed entities, may not have established structured processes and systems (e.g., a risk assessment process or a process to monitor the entity's internal control system) or may have established processes or systems with limited documentation or a lack of consistency in how they are undertaken. When such systems and processes lack formality, compliance with the procedures in this Part is still required. For example, the auditor may still be able to perform the required procedures through observation and inquiry.</i> | Essential Explanatory Material |

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| | | | | <p><i>Designing and performing procedures to obtain audit evidence in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory may involve obtaining evidence from multiple sources within and outside the entity. However, the auditor is not required to perform an exhaustive search to identify all possible sources of evidence.</i></p> | |
| Application Material | <p>ISA 315 (Revised 2019) Paragraph A20, A24 and A36</p> | <p>With Paragraph 6.2.2. Risk Identification and Assessment Procedures for Identifying and Assessing Risks and Related Activities</p> | - | <p><i>The auditor is not required to perform all of these procedures for each aspect of the auditor's understanding required.</i></p> <p><i>Considerations Specific to Public Sector Entities</i></p> <p><i>When making inquiries of those who may have information that is likely to assist in identifying risks of material misstatement, auditors of public sector entities may obtain information from additional sources such as from the auditors that are involved in performance or other audits related to the entity. Procedures performed by auditors of public sector entities to identify and assess risks of material misstatement may also include observation and inspection of</i></p> | <p>Essential Explanatory Material</p> <p>ATT paragraph not from the ISAs but specific to the ISA for LCE (from Staff documents on automated tools and techniques)</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | <p><i>documents prepared by management for the legislature, for example documents related to mandatory performance reporting.</i></p> <p><i>Automated Tools and Techniques</i></p> <p><i>If the auditor uses ATT, the auditor may design and perform procedures to identify and assess risks of material misstatement on relatively large volumes of data (from the general ledger, sub-ledgers or other operational data) including for analysis, observation or inspection.</i></p> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A50 and A95 | With Part 6.3. Risk Identification and Assessment Understanding Relevant Aspects of the Entity | - | <p><i>The auditor's understanding of the entity and its environment, and the applicable financial reporting framework, establishes a frame of reference in which the auditor identifies and assesses the risks of material misstatement, and also informs how the auditor plans and performs further audit procedures.</i></p> | Essential Explanatory Material |
| Application Material | ISA 315 (Revised 2019) Paragraph A7 | With Paragraph 6.3.5. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Inherent Risk Factors</i> | - | <p><i>Inherent risk factors may be qualitative or quantitative and affect the susceptibility of assertions to misstatement. Qualitative inherent risk factors relating to the preparation of information required by the</i></p> | Essential Explanatory Material Final paragraph is specific to the [draft] ISA for LCE in relation to indicators of complexity that may make the [draft] standard inappropriate for use. |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>applicable financial reporting framework include:</i></p> <ul style="list-style-type: none"> • <i>Complexity;</i> • <i>Subjectivity;</i> • <i>Change;</i> • <i>Uncertainty (for accounting estimates this is estimation uncertainty); or</i> • <i>Susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk.</i> <p><i>The presence of inherent risk factors that give rise to higher inherent risk related to accounting estimates may be indicators that the [draft] ISA for LCE is not appropriate for the audit.</i></p> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A61 and A66 | With Paragraph 6.3.1. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity and Its Environment</i> | - | <p><i>Understanding the entity's objectives, strategy and business model helps the auditor to understand the entity at a strategic level, and to understand the business risks the entity takes and faces. An understanding of the business risks that have an effect on the financial statements assists the auditor in identifying risks of material misstatement, since most business risks will eventually have financial consequences and, therefore,</i></p> | Essential Explanatory Material |

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| | | | | <p><i>an effect on the financial statements.</i></p> <p><i>Considerations Specific to Public Sector Entities</i></p> <p><i>Entities operating in the public sector may create and deliver value in different ways to those creating wealth for owners but will still have a 'business model' with a specific objective.</i></p> <p><i>Matters public sector auditors may obtain an understanding of that are relevant to the business model of the entity, include:</i></p> <ul style="list-style-type: none"> • <i>Knowledge of relevant government activities, including related programs.</i> • <i>Program objectives and strategies, including public policy elements.</i> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A71 | With Paragraph 6.5.8. Risk Identification and Assessment Risk Assessment <i>Assessing Control Risk</i> | - | <p>...</p> <p><i>The control risk assessment may be expressed using qualitative categories (for example, control risk assessed as maximum, moderate, minimum) or in terms of the auditor's expectation of how effective the control(s) is in addressing the identified risk, that is, the planned reliance on the effective operation of controls. For example, if control risk is assessed as maximum, the auditor contemplates no</i></p> | Essential Explanatory Material |

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| | | | | <p><i>reliance on the effective operation of controls. If control risk is assessed at less than maximum, the auditor contemplates reliance on the effective operation of controls.</i></p> | |
| Application Material | <p>ISA 315 (Revised 2019) Paragraphs A92, A93 and A95 Paragraph 315.12(m) Definitions</p> | <p>With Paragraph 6.3.5. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i></p> | - | <p><i>The auditor's understanding of the entity's internal control system influences the auditor's identification and assessment of the risks of material misstatement, and also assists the auditor in planning and designing further audit procedures. The entity's internal control system consists of the five components of internal control, for which an understanding is required for each:</i></p> <ul style="list-style-type: none"> • <i>The control environment.</i> • <i>The entity's risk assessment process.</i> • <i>The entity's process to monitor the internal control system.</i> • <i>The information system and communications.</i> • <i>Control activities.</i> <p><i>In less complex entities, and in particular owner-manager entities, the way in which the entity's internal control system is designed, implemented and maintained will vary with the</i></p> | Essential Explanatory Material |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>entity's size and complexity. Where there are no formal processes or documented policies or procedures, the auditor is still required to understand how management, or where appropriate, or those charged with governance prevent and detect fraud and errors, and use professional judgment to determine the nature and extent of the procedures to obtain the required understanding.</i></p> <p><i>Considerations Specific to Public Sector Entities</i></p> <p><i>Auditors of public sector entities often have additional responsibilities with respect to internal control, for example, to report on compliance with an established code of practice or reporting on spending against budget. Auditors of public sector entities may also have responsibilities to report on compliance with law, regulation or other authority. As a result, their considerations about the internal control system may be broader and more detailed.</i></p> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A97, A98 and 4 | With Paragraph 6.3.6. Risk Identification and Assessment | - | <i>The control environment provides an overall foundation for the operation of the other components of the entity's internal control system and</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | ISA 240 Paragraph A28 | Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i> | | <p><i>deficiencies may undermine the rest of the entity's internal control system. Although it does not directly prevent or detect and correct misstatements, it may influence the effectiveness of other controls in the internal control system. The control environment includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control system and its importance in the entity.</i></p> <p><i>Because the control environment is foundational to the entity's internal control system, any deficiencies could have pervasive effects on the preparation of the financial statements. Therefore, the auditor's understanding and evaluations of this component affect the auditor's identification and assessment of risks of material misstatement at the financial statement level, and may also affect the identification and assessment of risks of material misstatement at the assertion level, as well as the auditor's responses to the identified risks.</i></p> | |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>In the case of an LCE, some or all aspects of the control environment may not be applicable or less relevant. For example, an LCE may not have a written code of conduct but, instead, may have developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example. Domination of management by a single individual in an LCE does not generally, in and of itself, indicate a failure by management to display and communicate an appropriate attitude regarding internal control and the financial reporting process. In some entities, the need for management authorization can compensate for otherwise deficient controls and reduce the risk of employee fraud. However, domination of management by a single individual can be a potential deficiency in internal control since there is an opportunity for management override of controls.</i></p> | |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 315 (Revised 2019) Paragraph A111 ISA 240 Paragraph A14 | With Paragraph 6.3.7. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i> | - | <i>Understanding how the entity assesses its business risks and other risks can assist the auditor in understanding where there are identified risks, and whether the entity has responded to those risks. This may inform the auditor in understanding whether the risks faced by the entity have been identified, assessed and addressed as appropriate to the nature and circumstances of the entity, and help the auditor in identifying and assessing risks of material misstatement and responding to those risks.</i> | Essential Explanatory Material |
| Application Material | ISA 315 (Revised 2019) Paragraphs A121 and A114 | With Paragraph 6.3.9. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i> | - | <i>Understanding the entity's monitoring of the internal control system assists the auditor to understand whether the entity's internal control system is present and functioning. In less complex entities, and in particular owner-manager entities, the auditor's understanding of the entity's process to monitor the entity's internal control system is often focused on how management or the owner-manager is directly involved in operations, as there may not be any other formal monitoring activities.</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 315 (Revised 2019) Paragraph A136, A137 and A131 | With Paragraph 6.3.11. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i> | - | <p><i>The auditor's understanding of the information system may be obtained in various ways and may include:</i></p> <ul style="list-style-type: none"> <i>Inquiries of relevant personnel about the procedures used to initiate, record, process and report transactions or about the entity's financial reporting process;</i> <i>Inspection of policy or process manuals or other documentation of the entity's information system;</i> <i>Observation of the performance of the policies or procedures by entity's personnel; or</i> <i>Selecting transactions and tracing them through the applicable process in the information system (i.e., performing a walk-through).</i> <p><i>The information system, and related business processes, in less complex entities are likely to involve a less complex IT environment; however, the role of the information system is just as important when identifying and assessing risks of material misstatement. Less complex</i></p> | <p>Essential Explanatory Material</p> <p>ATT paragraph not from the ISAs but specific to the ISA for LCE (from Staff documents on automated tools and techniques)</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>entities with direct management involvement may not need extensive descriptions of accounting procedures, sophisticated accounting records, or written policies.</i></p> <p><i>Automated Tools and Techniques</i></p> <p><i>The auditor may also use ATT to obtain direct access to, or a digital download from, the databases in the entity's information system that store accounting records of transactions. By applying ATT to this information, the auditor may confirm the understanding obtained about how transactions flow through the information system by tracing journal entries, or other digital records related to a particular transaction, or an entire population of transactions, from initiation in the accounting records through to recording in the general ledger. Analysis of complete or large sets of transactions may also result in the identification of variations from the normal, or expected, processing procedures for these transactions, which may result in the identification of risks of material misstatement.</i></p> | |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 315 (Revised 2019) Paragraph A125 and A160 | With Paragraph 6.3.14. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i> | - | <p><i>The auditor is required to identify specific controls, evaluate the design and determine whether these controls have been implemented. This assists the auditor's understanding management's approach to addressing certain risks, and therefore provides a basis for the design and performance of further audit procedures responsive to these risks even when the auditor does not plan to test the operating effectiveness of identified controls.</i></p> <p><i>Controls over journal entries are expected to be identified for all audits because the manner in which an entity incorporates information from transaction processing into the general ledger ordinarily involves the use of journal entries, whether standard or non-standard, or automated or manual. The extent to which other controls are identified may vary based on the nature of the entity and the auditor's planned approach to further audit procedures. For example, in an audit of an LCE, the entity's information system may not be complex and the auditor may not intend to test</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>the operating effectiveness of controls. Further, the auditor may not have identified any significant risks or any other risks of material misstatement for which it is necessary for the auditor to evaluate the design of controls and determine that they have been implemented. In such an audit, the auditor may determine that there are no identified controls other than the entity's controls over journal entries.</i></p> | |
| Application Material | <p>ISA 315 (Revised 2019) Paragraphs A168 and A170 Paragraph 315.12 Definitions</p> | <p>With paragraph 6.3.16. Risk Identification and Assessment Understanding Relevant Aspects of the Entity <i>Understanding the Entity's Internal Control System</i></p> | - | <p><i>The auditor's understanding of the information system (which may be done by performing a walk-through procedure) includes the IT environment relevant to the flows of transactions and processing of information in the entity's information system. This is because the entity's use of IT applications or other aspects of the IT environment may give rise to risks arising from IT (i.e., the susceptibility of information processing controls to ineffective design or operation, or risks to the integrity of information).</i></p> <p><i>The extent of the auditor's understanding of the IT processes, including the extent to which the entity has general</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <i>IT controls in place, will vary with the nature and the circumstances of the entity and its IT environment, as well as based on the nature and extent of controls identified by the auditor. The number of IT applications that are subject to risks arising from the use of IT also will vary based on these factors.</i> | |
| Application Material | ISA 315 (Revised 2019) Paragraphs A184, A195, A188 and A186 | With Part 6.4. Risk Identification and Assessment Identifying Risks of Material Misstatement | - | <i>Risks of material misstatement are identified and assessed by the auditor to determine the nature, timing and extent of further audit procedures necessary to obtain sufficient appropriate audit evidence. This evidence enables the auditor to express an opinion on the financial statements at an acceptably low level of audit risk.</i> | Essential Explanatory Material |
| Application Material | ISA 315 (Revised 2019) Paragraphs A184, A195, A188 and A186 | With Paragraph 6.4.1. Risk Identification and Assessment Identifying Risks of Material Misstatement | - | <i>The identification of risks of material misstatement is performed before consideration of any related controls (i.e., the inherent risk), and is based on the auditor's consideration of misstatements that have a reasonable possibility of both occurring, and being material if they were to occur.</i> <i>Risks of material misstatement at the financial statement level refer to risks that relate</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>pervasively to the financial statements as a whole, and potentially affect many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the class of transactions, account balance or disclosure level (e.g., risk of management override of controls).</i></p> <p><i>In identifying and assessing the risks of material misstatement, the auditor uses assertions to consider the different types of potential misstatements that may occur. Appendix 4 sets out assertions that may be used by the auditor in considering different types of misstatements at the assertion level.</i></p> | |
| Application Material | ISA 315 (Revised 2019) Paragraphs A188 and A202 | With Paragraph 6.4.3. Risk Identification and Assessment Identifying Risks of Material Misstatement | - | <p><i>Determining relevant assertions and the significant classes of transactions, account balances and disclosures provides the basis for the scope of the auditor's understanding of the entity's information system required to be obtained, and with the identification and assessment of risks of material misstatement.</i></p> | Essential Explanatory Material |
| Application Material | ISA 315 (Revised 2019) Paragraph A209 | With Paragraph 6.5.1. Risk Identification and Assessment | | <p><i>The assessed inherent risk for a particular risk of material misstatement at the assertion level represents a judgment</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | Risk Assessment <i>Assessing Inherent Risk</i> | | <i>within a range, from lower to higher, on the spectrum of inherent risk.</i> | The Essential Explanatory Material added introduces the concept of spectrum of inherent risk. |
| Application Material | ISA 315 (Revised 2019) Paragraphs A208 - A209 | With Paragraph 6.5.1. Risk Identification and Assessment Risk Assessment <i>Assessing Inherent Risk</i> | | <i>In assessing inherent risk, the auditor uses professional judgment in determining the significance of the combination of the likelihood and magnitude of a misstatement on the spectrum of inherent risk. The judgment about where in the range inherent risk is assessed may vary based on the nature, size or circumstances of the entity, and takes into account the assessed likelihood and magnitude of the misstatement and inherent risk factors.</i> | Essential Explanatory Material The Essential Explanatory Material added introduces the concept of spectrum of inherent risk. |
| Application Material | ISA 315 (Revised 2019) Paragraphs A210-A211 and A217 | With Paragraph 6.5.1. Risk Identification and Assessment Risk Assessment <i>Assessing Inherent Risk</i> | | <i>In considering the likelihood of a misstatement, the auditor considers the possibility that a misstatement may occur, based on consideration of the inherent risk factors. In considering the magnitude of a misstatement, the auditor considers the qualitative and quantitative aspects of the possible misstatement (i.e., misstatements in assertions about classes of transactions, account balances or disclosures may be judged to be material due to size, nature or circumstances).</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>Considerations Specific to Public Sector Entities</i></p> <p><i>In exercising professional judgment as to the assessment of the risk of material misstatement, public sector auditors may consider the complexity of the regulations and directives, and the risks of non-compliance with authorities.</i></p> | |
| Application Material | <p>ISA 315 (Revised 2019) Paragraph A224</p> | <p>With Paragraph 6.5.3. Risk Identification and Assessment</p> <p>Risk Assessment</p> <p><i>Assessing Inherent Risk</i></p> | - | <p><i>Where routine business transactions are subject to highly automated processing with little or no manual intervention, it may not be possible to perform only substantive procedures in relation to the risk. This may be the case in circumstances where a significant amount of an entity's information is initiated, recorded, processed, or reported only in electronic form. In such cases:</i></p> <ul style="list-style-type: none"> • <i>The sufficiency and appropriateness of audit evidence usually depend on the effectiveness of controls over its accuracy and completeness.</i> • <i>The potential for improper initiation or alteration of information to occur and not be detected may be greater if appropriate</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <i>controls are not operating effectively.</i> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A 219 and A220 | With Paragraph 6.5.4. Risk Identification and Assessment Risk Assessment <i>Significant Risks</i> | - | <i>The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk as set out in paragraphs 6.5.4.–6.5.5. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity, and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed.</i> | Essential Explanatory Material |
| Application Material | ISA 315 (Revised 2019) Paragraph A226-A227 | With Paragraph 6.5.8. Risk Identification and Assessment Risk Assessment <i>Assessing Control Risk</i> | - | <i>The auditor's plans to test the operating effectiveness of controls is based on the expectation that controls are operating effectively, and this will form the basis of the auditor's assessment of control risk. The initial expectation of the operating effectiveness of controls is based on the auditor's evaluation of the design, and the determination of implementation, of the controls</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>identified in paragraphs 6.3.14. and 6.3.16. Once the auditor has tested the operating effectiveness of the controls in accordance with Part 7, the auditor will be able to confirm the initial expectation about the operating effectiveness of controls. If the controls are not operating effectively as expected, then the auditor will need to revise the control risk assessment.</i></p> <p><i>The auditor's assessment of control risk may be performed in different ways depending on preferred audit techniques or methodologies, and may be expressed in different ways.</i></p> | |
| Application Material | - | <p>With Paragraph 5.2.6.</p> <p>Planning</p> <p>Planning Activities</p> <p><i>Engagement Team Discussion</i></p> | - | <p><i>The engagement team discussion may also include other matters related to the audit such as the logistics, operational and other matters (such as when risks of material misstatement may have changed from prior years or matters related to relevant ethical requirement including independence) and the timing of the audit and communications that are required.</i></p> | <p>Essential Explanatory Material</p> <p>EEM specific to [draft] ISA for LCE – no equivalent application material in the ISA.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | | <p>With Paragraph 6.5.11.</p> <p>Risk Identification and Assessment</p> <p>Risk Assessment</p> <p><i>Evaluation of the Appropriateness of Using the ISA for LCE</i></p> | - | <p><i>The auditor's original determination to use the [draft] ISA for LCE may change as new information or additional audit evidence is obtained when performing procedures to identify and assess risks of material misstatement. In circumstances where audit evidence, or new information, is obtained, which is inconsistent with the auditor's original determination for using the [draft] ISA for LCE, the auditor may need to change the original determination to use the [draft] ISA for LCE.</i></p> | <p>Essential Explanatory Material</p> <p>Paragraph not from the ISAs but specific to the [draft] ISA for LCE.</p> |
| Application Material | <p>ISA 315 (Revised 2019) Paragraph A241</p> | <p>With Part 6.8.</p> <p>Risk Identification and Assessment</p> <p>Specific Documentation Requirements</p> | | <p><i>The form and extent of documentation for the identification and assessment of the risks of material misstatement may be simple and relatively brief, and is influenced by:</i></p> <ul style="list-style-type: none"> • <i>The nature, size and complexity of the entity and its internal control system.</i> • <i>Availability of information from the entity.</i> • <i>The audit methodology and technology used in the course of the audit.</i> <p><i>It is not necessary to document the entirety of the auditor's understanding of the entity and</i></p> | <p>Essential Explanatory Material</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | <i>matters related to it, but rather apply the principles in Part 2.5 and the matters noted below.</i> | |
| Application Material | ISA 315 (Revised 2019) Paragraph A241 | With Paragraph 6.8.1.(a) Risk Identification and Assessment Specific Documentation Requirements | - | <i>Key elements of understanding documented by the auditor include those on which the auditor based the assessment of risks of material misstatement.</i> | Essential Explanatory Material |
| Application Material | ISA 315 (Revised 2019) Paragraph A241 & A150 | With Paragraph 6.8.1. Risk Identification and Assessment Specific Documentation Requirements | - | <i>The auditor is required to take into account the inherent risk factors when identifying and assessing the risks of material misstatement. However, the auditor is not required to document how every inherent risk factor was taken into account in relation to each class of transaction, account balance or disclosure.</i> | Essential Explanatory Material |
| ISA 320, Materiality in Planning and Performing an Audit | | | | | |
| Objective | ISA 320 Paragraph 8 | Paragraph 5.1.1.(b) Planning Objectives | The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit. | The objectives of the auditor are to: (b) Apply the concept of materiality appropriately in planning and performing the audit. | 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the objective be revised or modified for the circumstances of an LCE? Yes – only modification is to include in a bulleted list. |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>3. Do the changes result in the objective that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 320 Paragraph 10 Determining Materiality and Performance Materiality When Planning the Audit</p> | <p>Paragraph 5.3.1. Planning Materiality</p> <p>Paragraph 5.3.2. Planning Materiality</p> | <p>When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole. 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, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures.</p> | <p>5.3.1 The auditor shall determine materiality for the financial statements as a whole.</p> <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – Minor modification for structure of LCE to not require a separate audit strategy but the required key actions of this requirement all included.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes – expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |
| Requirements | <p>ISA 320 Paragraph 11 Determining Materiality and Performance Materiality When Planning the Audit</p> | <p>Paragraph 5.3.3. Planning Materiality</p> | <p>The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>No.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 320 Paragraph 12 Revision as the Audit Progresses</p> | <p>Paragraph 5.3.4. Planning Materiality</p> | <p>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) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 320 Paragraph 13 Revision as the Audit Progresses</p> | <p>Paragraph 5.3.5. Planning Materiality</p> | <p>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.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Requirements | ISA 320 Paragraph 14 Documentation | Paragraph 5.5.4. Planning Specific Documentation Requirements | The auditor shall include in the audit documentation the following amounts and the factors considered in their determination: (a) Materiality for the financial statements as a whole (see paragraph 10); (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10); (c) Performance materiality (see paragraph 11); and (d) Any revision of (a)–(c) as the audit progressed | 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): (a) Materiality for the financial statements as a whole; (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures; and (c) Performance materiality. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – Modified to structure the requirement for readability by addressing ISA 320 para 14(d) in the lead-in.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Application Material | ISA 320 Paragraph 5 Introduction Materiality in the Context of an Audit | With Paragraph 5.3.1. Planning Materiality | - | <i>The concept of materiality is applied by the auditor in both planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements if any, on the financial statements and in forming an opinion in the auditor’s report.</i> | Essential Explanatory Material |
| Application Material | ISA 320 Paragraphs 4 & 6 Introduction Materiality in the Context of an Audit | With Paragraph 5.3.1. Planning Materiality | - | <i>The auditor’s determination of materiality is a matter of professional judgment, and is affected by the auditor’s perception of the financial needs of users of the financial statements. The auditor’s professional judgment about</i> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p><i>misstatements that will be considered material provides a basis for:</i></p> <ul style="list-style-type: none"> • <i>Determining the nature, timing and extent of procedures to identify and assess risks of material misstatement;</i> • <i>Identifying and assessing the risks of material misstatement; and</i> • <i>Determining the nature, timing and extent of further audit procedures.</i> | |
| Application Material | ISA 320 Paragraphs A4 and A5 | With Paragraph 5.3.1. Planning Materiality | - | <p><i>A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole. Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include categories of reported income such as profit before tax, total revenue, gross profit and total expenses, total equity or net asset value. Profit before tax from continuing operations is often used for profit-oriented entities. When profit before tax from continuing operations is volatile, other benchmarks may be more appropriate, such as gross profit or total revenues.</i></p> | Essential Explanatory Material |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| Application Material | ISA 320 Paragraphs A3 | With Paragraph 5.3.2. Planning Materiality | - | <p><i>Considerations Specific to Public Sector Entities</i></p> <p><i>In the case of a public sector entity, legislators and regulators are often the primary users of its financial statements. Furthermore, the financial statements may be used to make decisions other than economic decisions. The determination of materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) in an audit of the financial statements of a public sector entity is therefore influenced by law, regulation or other authority, and by the financial information needs of legislators and the public in relation to public sector programs.</i></p> | Essential Explanatory Material |
| Application Material | ISA 320 Paragraph A13 | With Paragraph 5.3.3. Planning Materiality | - | <p><i>Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality (which,</i></p> | Essential Explanatory Material |

| Section | Reference & Heading | | Text | | Comparison |
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| | | | | <i>as defined, is one or more amounts) is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.</i> | |
| ISA 500, Audit Evidence | | | | | |
| Objective | ISA 500 Paragraph 4 | Paragraph 2.1.1.(a) Audit Evidence and Documentation Objectives | The objective of the auditor is to 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. | 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 | <ol style="list-style-type: none"> 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the objective be revised or modified for the circumstances of an LCE? Yes – only changes for incorporating into a bulleted list. 3. Do the changes result in the objective that still achieve reasonable assurance? Yes. |
| Requirements | ISA 500 Paragraph 6 Sufficient Appropriate Audit Evidence | Paragraph 2.2.2. Sufficient Appropriate Audit Evidence | The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. | The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. |

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| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 500 Paragraph 7²⁴ Information to Be Used as Audit Evidence</p> | <p>Paragraph 2.3.1. Audit Evidence and Documentation <i>Information to be Used as Audit Evidence</i></p> | <p>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 obtained from an external information source.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 500 Paragraph 8 Information to Be Used as Audit Evidence</p> | <p>Paragraph 5.2.8. Planning Planning Activities <i>Using the Work of Management's Expert</i></p> | <p>If information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes:</p> <p>(a) Evaluate the competence, capabilities and objectivity of that expert;</p> | <p>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::</p> <p>(a) Evaluate the competence, capabilities and objectivity of that expert;</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> |

²⁴ This paragraph includes conforming amendments from the International Standard on Auditing 540 (Revised).

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| | | | (b) Obtain an understanding of the work of that expert; and (c) Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion. | (b) Understand the work of that expert; and (c) Evaluate the appropriateness of the expert's work as audit evidence for the relevant assertion. | 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 500 Paragraph 9 Information to Be Used as Audit Evidence | Paragraph 2.3.2. Audit Evidence and Documentation <i>Information to be Used as Audit Evidence</i> | 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 audit 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. | 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 (b) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 500 Paragraph 10 Selecting Items for Testing to Obtain Audit Evidence | Paragraph 7.3.3. Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level | When designing tests of controls and tests of details, the auditor shall determine means of selecting items for testing that are effective in meeting the purpose of the audit procedure. | 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. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? |

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| Requirements | ISA 500 Paragraph 11 Inconsistency in, or Doubts over Reliability of, Audit Evidence | Paragraph 2.3.4. Audit Evidence and Documentation Information to be Used as Audit Evidence | If: (a) audit evidence obtained from one source is inconsistent with that obtained from another; or (b) the auditor has doubts over the reliability of information to be used as audit evidence, the auditor shall determine what modifications or additions to audit procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the audit. | The auditor shall determine what modifications or additions to procedures are necessary if: (a) Audit evidence obtained from one source is inconsistent with that obtained from another; or (b) The auditor has doubts about the reliability of information to be used as audit evidence. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Minor modification to the language used for drafting principles and to improve readability. All aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Application Material | ISA 500 Paragraph A2 (parts) | With Paragraph 2.2.2. Audit Evidence and Documentation Sufficient Appropriate Audit Evidence | - | ... <i>Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.</i> ... | Essential Explanatory Material |

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| Application Material | ISA 500 Paragraph A5 | With Part 2.3. Audit Evidence and Documentation Information to be Used as Audit Evidence | - | <p><i>Audit evidence is cumulative in nature and is primarily obtained from audit procedures performed during the audit, but may also include information from other sources, such as:</i></p> <ul style="list-style-type: none"> • <i>Previous audits (provided that the auditor has confirmed there are no changes);</i> • <i>Other engagements performed for the client; and</i> • <i>The firm's quality management procedures for acceptance and continuance.</i> <p><i>Audit evidence may come from inside or outside the entity (the entity's accounting records are an important source of audit evidence), the work of management's expert, and includes information that both supports and corroborates management's assertions, as well as contradicts such assertions.</i></p> | Essential Explanatory Material |
| - | - | With Part 2.3. Audit Evidence and Documentation Automated Tools and Techniques (ATT) | - | <p><i>ATT, for the purpose this [draft] standard, are IT-enabled processes that involve the automation of methods and procedures, for example the analysis of data using modelling and visualization, or drone</i></p> | Paragraphs not from the ISAs but specific to the [draft] ISA for LCE (from Staff documents related to automated tools and techniques). |

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| | | | | <p><i>technology to observe or inspect assets.</i></p> <p><i>In applying this [draft] standard, an auditor may design and perform audit procedures manually or through the use of ATT, and either technique can be effective. Regardless of the tools and techniques used, the auditor is required to comply with the requirements in this [draft] standard.</i></p> | |
| Application Material | ISA 500 Paragraph A27 | With paragraph 2.3.1. Audit Evidence and Documentation Sufficient Appropriate Audit Evidence | - | <p><i>Relevance deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. The relevance of the information may be affected by the direction of testing.</i></p> | Essential Explanatory Material |
| Application Material | ISA 500 Paragraph A31 ²⁵ | With paragraph 2.3.1. Audit Evidence and Documentation Sufficient Appropriate Audit Evidence | - | <p><i>The reliability of information to be used as audit evidence is influenced by its source and nature, as well as the circumstances under which it was obtained, including the controls over its preparation and maintenance where relevant. Generally, the reliability of information is increased when it is obtained from independent sources outside of the entity, by the auditor directly, is an original</i></p> | Essential Explanatory Material |

²⁵ This paragraph includes conforming amendments from the International Standard on Auditing 540 (Revised).

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| | | | | <i>document rather than a copy and written is rather than oral information. However, circumstances may exist that could affect these generalizations.</i> | |
| Application Material | ISA 500 Paragraph A51 | With paragraph 2.3.2. Audit Evidence and Documentation Information to be Used as Audit Evidence | - | <i>Obtaining audit evidence about the accuracy and completeness of such information may be performed concurrently with the actual audit procedure applied to the information when obtaining such audit evidence is an integral part of the audit procedure itself. In other situations, the auditor may have obtained audit evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the auditor may determine that additional audit procedures are needed.</i> | Essential Explanatory Material |
| Application Material | ISA 500 Paragraph A2 (parts) | With Part 2.4. Audit Evidence and Documentation Procedures for Obtaining Audit Evidence | - | <i>Audit evidence to draw reasonable conclusions on which to base the auditor's opinion is obtained by designing and performing procedures to identify and assess risks of material misstatement (see Part 6) and further audit procedures (see Part 7). Audit procedures to obtain audit evidence can include inspection,</i> | Essential Explanatory Material Paragraph on ATT not from the ISAs but specific to the ISA for LCE (from Staff document on automated tools and techniques). |

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| | | | | <p><i>observation, confirmation, recalculation, reperformance and analytical procedures, often in some combination, in addition to inquiry. Although inquiry may provide important audit evidence, and may even produce evidence of a misstatement, inquiry alone ordinarily does not provide sufficient audit evidence of the absence of a material misstatement at the assertion level, nor of the operating effectiveness of controls.</i></p> <p><i>Automated Tools and Techniques</i></p> <p><i>Using ATT can supplement or replace manual or repetitive tasks. In certain circumstances, when obtaining audit evidence, an auditor may determine that the use of ATT to perform certain audit procedures may result in more persuasive audit evidence relative to the assertion being tested. In other circumstances, performing audit procedures may be effective without the use of ATT.</i></p> <p><i>The use of ATT may potentially create biases or a general risk of overreliance on the information or output of the audit procedure performed. As powerful as these tools may be, they are not a substitute for the auditor's knowledge and professional judgment. Further,</i></p> | |

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| | | | | <p><i>although the auditor may have access to a wide array of data, including from varying sources (i.e., increased quantity), the exercise of professional skepticism remains necessary to critically assess audit evidence arising from the use of data and from the outputs from using ATT.</i></p> | |
| ISA 510, Initial Audit Engagements—Opening Balances | | | | | |
| Objective | <p>ISA 510 Paragraph 3</p> | <p>Paragraph 4.1.1.(b) Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Objectives</p> | <p>In conducting an initial audit engagement, the objective of the auditor with respect to opening balances is to obtain sufficient appropriate audit evidence about whether:</p> <p>(a) Opening balances contain misstatements that materially affect the current period's financial statements; and</p> <p>(b) 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.</p> | <p>The objectives of the auditor are:</p> <p>(b) For initial audit engagements, to obtain sufficient appropriate audit evidence about whether:</p> <p>(i) Opening balances contain misstatements that materially affect the current period's financial statements, and</p> <p>(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</p> | <p>1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE? Modification to lead in of objective to make appropriate to nature of objectives in the [draft] standard.</p> <p>3. Do the changes result in the objective that still achieve reasonable assurance? Yes.</p> |

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| | | | | accordance with the applicable financial reporting framework. | |
| Requirements | ISA 510 Paragraph 5 Audit Procedures | Paragraph 4.6.2. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Initial Audit Engagements | The auditor shall read the most recent financial statements, if any, and the predecessor auditor's report thereon, if any, for information relevant to opening balances, including disclosures. | 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. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirements | ISA 510 Paragraph 6 Audit Procedures | Paragraph 4.6.4. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Initial Engagements | <p>The auditor shall obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements by:</p> <p>(a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated;</p> <p>(b) Determining whether the opening balances reflect the</p> | <p>The auditor shall obtain sufficient appropriate audit evidence²⁶ about whether the opening balances contain misstatements that materially affect the current period's financial statements by:</p> <p>(a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated;</p> <p>(b) Determining whether the opening balances reflect the</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor change to replace reviewing with inspecting for drafting principles to be clearer about work effort required.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> |

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

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| | | | application of appropriate accounting policies; and (c) Performing one or more of the following: (i) Where the prior year financial statements were audited, reviewing 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 (iii) Performing specific audit procedures to obtain evidence regarding the opening balances. | application of appropriate accounting policies; and (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; (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. | Yes. Outcome from auditor actions expected to be similar. |
| Requirements | ISA 510 Paragraph 7 Audit Procedures | Paragraph 4.6.5. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Initial Engagements Paragraph 8.8.1. Concluding Specific Communication Requirements | 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. If the auditor concludes that such | 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 | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. First sentence of ISA requirement included in full. |

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| | | | misstatements exist in the current period's financial statements, the auditor shall communicate the misstatements with the appropriate level of management and those charged with governance in accordance with ISA 450. | the effect on the current period's financial statements. ²⁷ 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 and request management to correct the misstatements. | Second sentence is addressed in the broader requirement to communicate all misstatements in paragraph 8.8.1 (not distinguishing requirements specific for those misstatements that also existed in the prior period). All key aspects of auditor action retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 510 Paragraph 8 Audit Procedures | Paragraph 4.6.6. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements Initial Engagements | The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework. | The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have 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. ²⁸ | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirements | ISA 510 Paragraph 9 Audit Procedures | Paragraph 6.2.6. Risk Identification and Assessment | If the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion, the | If the audit opinion on the prior period's financial statements was modified the auditor shall evaluate the effect on the | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? |

²⁷ For the effect on the auditor's report see Part 9, paragraph 9.5.1.G.

²⁸ For the effect on the auditor's report see Part 9, paragraph 9.5.1.H.

| Section | Reference & Heading | | Text | | Comparison |
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| | | Procedures for Identifying and Assessing Risks and Related Activities | 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 in accordance with ISA 315 (Revised). | current year's financial statements when identifying and assessing risks of material misstatement. | <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – modified the requirement to make more succinct while retaining the same key action to evaluate the effect in the circumstance. Broad aspects of evaluation retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | ISA 510 Paragraph 10 Audit Conclusions and Reporting | Paragraph 9.5.1F. Forming an Opinion and Reporting Modifications to the Opinion <i>Specific Circumstances when the Auditor's Opinion is to be Modified.</i> <i>Opening Balances</i> | If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements, as appropriate, in accordance with ISA 705 (Revised). | The auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances. <i>(Inclusion in Table C under paragraph 9.5.1 indicating that a qualified or disclaimer of opinion is required).</i> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes - requirement included in full (presented in table format).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | ISA 510 Paragraph 11 | Paragraph 9.5.1.G Forming an Opinion and Reporting | If the auditor concludes that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect | The auditor concludes, based on the audit evidence obtained, that the opening balances contain a misstatement that materially affects the current | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> |

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| | Audit Conclusions and Reporting | <p>Modifications to the Opinion</p> <p><i>Specific Circumstances when the Auditor's Opinion is to be Modified.</i></p> <p><i>Opening Balances</i></p> | <p>of the misstatement is not appropriately accounted for or not adequately presented or disclosed, the auditor shall express a qualified opinion or an adverse opinion, as appropriate, in accordance with ISA 705.</p> | <p>period's financial statements, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed.</p> <p><i>(Inclusion in Table C under paragraph 9.5.1 indicating that a qualified or adverse opinion is required).</i></p> | <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes - requirement included in full (presented in table format).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 510</p> <p>Paragraph 12</p> <p>Audit Conclusions and Reporting</p> | <p>Paragraph 9.5.1.H</p> <p>Forming an Opinion and Reporting</p> <p>Modifications to the Opinion</p> <p><i>Specific Circumstances when the Auditor's Opinion is to be Modified.</i></p> <p><i>Opening Balances</i></p> | <p>If the auditor concludes that:</p> <p>(a) the current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework; or</p> <p>(b) a change in accounting policies is not appropriately accounted for or not adequately presented or disclosed in accordance with the applicable financial reporting framework,</p> <p>the auditor shall express a qualified opinion or an adverse opinion as appropriate in accordance with ISA 705 (Revised).</p> | <p>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 appropriately accounted for or adequately presented or disclosed, in accordance with the financial reporting framework.</p> <p><i>(Inclusion in Table C under paragraph 9.5.1 indicating that a qualified or adverse opinion is required).</i></p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes - requirement included in full (presented in table format).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 510</p> <p>Paragraph 13</p> | <p>Paragraph 9.5.1.I</p> <p>Forming an Opinion and Reporting</p> | <p>If the predecessor auditor's opinion regarding the prior period's financial statements included a</p> | <p>The prior period's financial statements included a modification that remains relevant</p> | <p>1. Is the requirement relevant and appropriate in the</p> |

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| | Audit Conclusions and Reporting | Modified Opinions <i>Other Circumstances Where a Modification is Required</i> Opening Balances | modification to the auditor's opinion that remains relevant and material to the current period's financial statements, the auditor shall modify the auditor's opinion on the current period's financial statements in accordance with ISA 705 (Revised) and ISA 710. | and material to the current period's financial statements. <i>(Inclusion in Table C under paragraph 9.5.1 indicating that a qualified, adverse or disclaimer of opinion is required).</i> | <p>circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes - requirement included in full (presented in table format).</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Application Material | ISA 300 Paragraph A22 | With Part 5.2. Planning Planning Activities | - | <i>The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements.</i> | Essential Explanatory Material |
| ISA 520, Analytical Procedures | | | | | |
| Objective | ISA 520 Paragraph 3 | - | The objectives of the auditor are: (a) To obtain relevant and reliable audit evidence when using substantive analytical procedures; and (b) To design and perform analytical procedures near the end of the audit that assist the auditor | - | <p>1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? ISA 520, <i>Analytical Procedures</i> is addressed in Part 7 of the ISA for LCE along with other substantive testing ISAs. Objectives relating to</p> |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | when forming an overall conclusion as to whether the financial statements are consistent with the auditor’s understanding of the entity. | | <p>audit evidence have been included in Part 2 broadly and not for each audit evidence-related ISA as this would be considered voluminous for the nature of the LCE standard. Objectives are provided at a broader level for succinctness (in line with the drafting principles of the ISA for LCE). All relevant objectives included in ISA 520 paragraph 3 are included in requirements within the ISA for LCE as mapped below.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in the objective that still achieve reasonable assurance?</p> <p>-</p> |
| Requirements | <p>ISA 520 Paragraph 5 Substantive Analytical Procedures</p> | <p>Paragraph 7.3.4. Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Substantive Analytical Procedures</i></p> | <p>When designing and performing substantive analytical procedures, either alone or in combination with tests of details, as substantive procedures in accordance with ISA 330, the auditor shall:</p> <p>(a) Determine the suitability of particular substantive analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions;</p> | <p>If the auditor uses substantive analytical procedures to obtain audit evidence, the auditor shall:</p> <p>(a) Determine the suitability of the substantive analytical procedures for the purpose of the test and for the given assertion(s);</p> <p>(b) Evaluate the reliability of data from which the auditor’s expectation of recorded amounts or ratios is developed, taking account of source, comparability,</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes. The requirement has been adapted to the circumstances of an audit of an LCE. This requirement also incorporates paragraph 7 of ISA 520. In addition, modification to the</p> |

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| | | | <p>(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 preparation;</p> <p>(c) Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated; and</p> <p>(d) Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation as required by paragraph 7.</p> | <p>and nature and relevance of information available, and controls over its preparation;</p> <p>(c) Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify material <u>misstatements</u>;</p> <p>(d) Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation being required; and</p> <p>(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.</p> <p>....</p> | <p>language used in the requirement to for drafting principles and to improve its readability. All significant aspects of required auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes, expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |

| Section | Reference & Heading | | Text | | Comparison |
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| Requirements | <p>ISA 520 Paragraph 6</p> <p>ISA 240 Paragraph 35</p> <p>Analytical Procedures that Assist When Forming an Overall Conclusion</p> | <p>Paragraph 8.3.1.</p> <p>Concluding</p> <p>Analytical Procedures that Assist When Forming an Overall Conclusion</p> | <p>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.</p> <p>The auditor shall evaluate whether analytical procedures that are performed near the end of the audit, when forming an overall conclusion as to whether the financial statements are consistent with the auditor’s understanding of the entity, indicate a previously unrecognized risk of material misstatement due to fraud.</p> | <p>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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. The requirements have been combined to better integrate fraud but the key actions have been retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes, the outcome from the required actions by the auditor expected to be similar.</p> |
| Requirements | <p>ISA 520 Paragraph 7</p> <p>Investigating Results of Analytical Procedures</p> | <p>Paragraph 7.3.4.</p> <p>Responding to Assessed Risks of Material Misstatement</p> <p>Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level</p> <p><i>Substantive Analytical Procedures</i></p> <p>Paragraph 8.3.2.</p> <p>Concluding</p> | <p>If analytical procedures performed in accordance with this ISA identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor shall investigate such differences by:</p> <p>(a) Inquiring of management and obtaining appropriate audit evidence relevant to management’s responses; and</p> <p>(b) Performing other audit procedures as necessary in the circumstances.</p> | <p>7.3.4 If the auditor uses analytical procedures to obtain audit evidence, the auditor shall:</p> <p>...</p> <p>(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</p> | <p>1. Is the requirement relevant in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE? Yes – minor modifications for readability and to form part of a bulleted list but does not change the substance of the requirement or intended action. Consistent with the structure of the ISA for LCE, requirement is included separately for substantive and concluding analytical</p> |

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| | | Analytical Procedures that Assist When Forming an Overall Conclusion | | 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. | procedures. All significant aspects of the auditor action retained. 3. Do the changes result in the objective that still achieve reasonable assurance? Yes. |
| Essential Explanatory Material | - | With Paragraph 7.3.5. Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Substantive Analytical Procedures</i> | - | <i>Automated Tools and Techniques</i> <i>Analytical procedures can be performed using a number of tools or techniques, which may also be automated. The evolution of technology, coupled with the increase in number and variety of sources of data, may create more opportunities for the auditor to use ATT in performing substantive analytical procedures.</i> <i>There are countless information sources available (e.g., social media, free access information sources) to the auditor, and some are more reliable than others. The use of ATT to perform substantive analytical procedures allows the auditor to incorporate information from more sources both internal and</i> | Essential Explanatory Material ATT paragraph not from the ISAs but is specific to the ISA for LCE standard (from Staff document on automated tools and techniques). |

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| | | | | <p><i>external to the entity and also to use much greater volumes of data in the analyses.</i></p> <p><i>Nonetheless, the auditor's responsibility for addressing the reliability of data used in substantive analytical procedures is unchanged.</i></p> | |
| ISA 530, Audit Sampling | | | | | |
| Objective | ISA 530 Paragraph 4 | - | The objective of the auditor, when using audit sampling, is to provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected. | - | <p>1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>ISA 530, <i>Audit Sampling</i> is addressed in Part 7, the ISA for LCE. Objectives are provided at a broader level for succinctness (in line with the development principles of the ISA for LCE). All relevant objectives included in ISA 530 paragraph 4 are addressed in requirements within the ISA for LCE as mapped below.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE?</p> <p>-</p> <p>3. Do the changes result in the objective that still achieve reasonable assurance?</p> <p>-</p> |

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| Requirements | <p>ISA 530 Paragraph 6 Sample Design, Size, and Selection of Items for Testing</p> | <p>Paragraph 7.3.5.(a) Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i></p> | <p>When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn.</p> | <p>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; ...</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor modifications to form part of a bulleted list but does not change the substance of the requirement or intended action. All significant aspects of the auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirements | <p>ISA 530 Paragraph 7 Sample Design, Size, and Selection of Items for Testing</p> | <p>Paragraph 7.3.5.(b) Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i></p> | <p>The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level.</p> | <p>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: (b) Determine a sample size sufficient to reduce sampling risk to an acceptably low level; </p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor modifications to form part of a bulleted list but does not change the substance of the requirement. All significant aspects of the auditor action retained.</p> |

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| | | | | | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 530</p> <p>Paragraph 8</p> <p>Sample Design, Size, and Selection of Items for Testing</p> | <p>Paragraph 7.3.5.(c)</p> <p>Responding to Assessed Risks of Material Misstatement</p> <p>Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level</p> <p><i>Audit Sampling</i></p> | <p>The auditor shall select items for the sample in such a way that each sampling unit in the population has a chance of selection.</p> | <p>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:</p> <p>....</p> <p>(c) Select items in a way that each sampling unit in the population has a chance of selection.</p> <p>....</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – minor modifications to form part of a bulleted list but does not change the requirement. All significant aspects of the auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 530</p> <p>Paragraph 9</p> <p>Performing Audit Procedures</p> | <p>Paragraph 7.3.5.(d)</p> <p>Responding to Assessed Risks of Material Misstatement</p> <p>Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level</p> <p><i>Audit Sampling</i></p> | <p>The auditor shall perform audit procedures, appropriate to the purpose, on each item selected</p> | <p>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:</p> <p>....</p> <p>(d) Perform audit procedures, appropriate to the purpose, on each item selected,</p> <p>....</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes – Minor modifications to be included in a bulleted list – no</p> |

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| | | | | | <p>change to requirement. All significant aspects of the auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 530 Paragraph 10 Performing Audit Procedures</p> | <p>Paragraph 7.3.5.(d) Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i></p> | <p>If the audit procedure is not applicable to the selected item, the auditor shall perform the procedure on a replacement item.</p> | <p>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:</p> <p>...</p> <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.</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes –modifications for readability and to form part of a bulleted list but does not change the substance of the requirement. All significant aspects of the auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirements | <p>ISA 530 Paragraph 11 Performing Audit Procedures</p> | <p>Paragraph 7.3.5.(d) Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material</p> | <p>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>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:</p> <p>...</p> <p>(d) Perform audit procedures, appropriate to the purpose, on each item selected, unless the</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> |

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| | | Misstatement at the Assertion Level <i>Audit Sampling</i> | | 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). | Yes – minor modifications for readability and to form part of a bulleted list but does not change the substance of the requirement. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirements | ISA 530 Paragraph 12 Nature and Cause of Deviations and Misstatements | Paragraph 7.3.5.(e) Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i> | The auditor shall 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. | 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: (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. ... | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor modifications for readability and to form part of a bulleted list but does not change the substance of the requirement. All significant aspects of the auditor action retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |

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| Requirements | <p>ISA 530 Paragraph 13 Nature and Cause of Deviations and Misstatements</p> | <p>Paragraph 7.3.6. Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i></p> | <p>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>... 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>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. Although this is an exceptional circumstance, the LCE Task Force is of the view that this is essential to include in the circumstance that there is an anomaly.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in the requirement that still achieve reasonable assurance? -</p> |
| Requirements | <p>ISA 530 Paragraph 14 Projecting Misstatements</p> | <p>Paragraph 7.3.6 Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i></p> | <p>For tests of details, the auditor shall project misstatements found in the sample to the population.</p> | <p>For tests of details, project misstatements found in the sample to the population. ...</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor modifications for readability. All significant aspects of the auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> |

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| | | | | | Yes. |
| Requirements | ISA 530 Paragraph 15 Evaluating Results of Audit Sampling | Paragraph 7.3.7. Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i> | The auditor shall evaluate: (a) The results of the sample; and (b) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested. | The auditor shall evaluate: (a) The results of the sample; and (b) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested. | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in the requirement that still achieve reasonable assurance? - |
| Application Material | ISA 530 Paragraph A19 | With Paragraph 7.3.6. Responding to Assessed Risks of Material Misstatement Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level <i>Audit Sampling</i> | - | <i>A misstatement that has been established to be an anomaly need not be projected across the remaining population.</i> | |
| ISA 620, Using the Work of an Auditor's Expert | | | | | |
| Objective | ISA 620 Paragraph 5 | - | The objectives of the auditor are: (a) To determine whether to use the work of an auditor's expert; and | - | <ol style="list-style-type: none"> 1. Is the objective relevant and appropriate in the circumstances of an audit of an LCE? |

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| | | | (b) If using the work of an auditor's expert, to determine whether that work is adequate for the auditor's purposes. | | <p>ISA 620, <i>Using the Work of an Auditor's Expert</i>, is primarily addressed in Part 5, <i>Planning</i> and 8, <i>Concluding</i>, of the [draft] ISA for LCE. The objectives of these parts do not specifically address ISA 620, paragraph 5, however the objectives for these Parts are broad to capture all matters related to planning the audit and concluding thereon. Objectives are provided at a broader level for succinctness (in line with the development principles of the ISA for LCE). All relevant objectives included in ISA 620 paragraph 5 are addressed in requirements within the ISA for LCE as mapped below.</p> <p>2. Should / could the objective be revised or modified for the circumstances of an LCE? -</p> <p>3. Do the changes result in the objective that still achieve reasonable assurance? -</p> |
| Requirement | ISA 620 Paragraph 7 Determining the Need for an Auditor's Expert | Paragraph 5.2.9. Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i> | 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. | 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. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> |

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| | | | | | <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? No.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? -</p> |
| Requirement | <p>ISA 620 Paragraph 8 Nature, Timing and Extent of Audit Procedures</p> | <p>Paragraph 5.2.10. Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i></p> | <p>The nature, timing and extent of the auditor's procedures with respect to the requirements in paragraphs 9–13 of this ISA will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including:</p> <ul style="list-style-type: none"> (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; (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 (e) Whether that expert is subject to the auditor's firm's quality | <p>The auditor shall consider the following when determining the nature, timing and extent of procedures related to the auditor's expert:</p> <ul style="list-style-type: none"> (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; (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 (e) Whether that expert is subject to the auditor's firm's quality management policies or procedures. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Minor modification to the requirement to improve its readability, and removing reference to paragraphs 9-13 of ISA 620. All significant aspects of auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes, expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |

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| | | | control policies and procedures. | | |
| Requirement | ISA 620 Paragraph 9 The Competence, Capabilities and Objectivity of the Auditor's Expert | Paragraph 5.2.11.(a) Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i> | The auditor shall 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. | 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; ... | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. Modified to be included in a bulleted list but all key aspects of the auditor's actions retained. 3. Do the changes result in requirements that still achieve reasonable assurance? Yes. |
| Requirement | ISA 620 Paragraph 10 Obtaining an Understanding of the Field of Expertise of the Auditor's Expert | Paragraph 5.2.11.(b) Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i> Paragraph 7.4.27. Responding to Assessed Risks of Material Misstatement Specific Focus Areas <i>Using the Work of an Auditor's Expert</i> | The auditor shall obtain a sufficient understanding of the field of expertise of the auditor's expert to enable the auditor to: (a) Determine the nature, scope and objectives of that expert's work for the auditor's purposes; and (b) Evaluate the adequacy of that work for the auditor's purposes. | 5.2.11.(b) 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; (b) Obtain sufficient understanding of the field of expertise to enable the auditor to determine the nature, scope and objectives | <ol style="list-style-type: none"> 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – minor modifications for readability and to form part of a bulleted list but does not change the substance of the requirement. All significant aspects of auditor action retained. |

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| | ISA | ISA for LCE | ISA | ISA for LCE | |
| | | | | <p>of the auditor's expert's work and evaluate that work for the auditor's purposes; and</p> <p>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:</p> <p>...</p> | <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes.</p> |
| Requirement | <p>ISA 620 Paragraph 11 Agreement with the Auditor's Expert</p> | <p>Paragraph 5.2.11.(c) Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i></p> | <p>The auditor shall agree, in writing when appropriate, on the following matters with the auditor's expert:</p> <p>(a) The nature, scope and objectives of that expert's work;</p> <p>(b) The respective roles and responsibilities of the auditor and that expert;</p> <p>(c) The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert; and</p> <p>(d) The need for the auditor's expert to observe confidentiality requirements.</p> | <p>If the auditor is using the work of an auditor's expert, the auditor shall:</p> <p>(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;</p> <p>(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</p> <p>(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</p> | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</p> <p>Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE?</p> <p>Yes - minor modifications for readability and to form part of a bulleted list but does not change the substance of the requirement. All significant aspects of the auditor action retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance?</p> <p>Yes, expected to deliver a similar outcome as the ISA requirement in the context of an audit of an LCE.</p> |

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| | | | | the expert and the auditor in relation to that work, the nature, timing and extent of communications and a need for the expert to observe confidentiality requirements. | |
| Requirement | ISA 620 Paragraph 12 Evaluating the Adequacy of the Auditor's Expert's Work | Paragraph 7.4.27. Responding to Assessed Risks of Material Misstatement Specific Focus Areas <i>Using the Work of an Auditor's Expert</i> | The auditor shall evaluate the adequacy of the auditor's expert's work for the auditor's purposes, including: (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 (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. | 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; (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. | <p>1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes.</p> <p>2. Should / could the requirement be revised or modified for the circumstances of an LCE? Yes. minor modifications for readability and to form part of a bulleted list but does not change the substance of the requirement. All auditor actions retained.</p> <p>3. Do the changes result in requirements that still achieve reasonable assurance? Yes.</p> |
| Requirement | ISA 620 Paragraph 13 | Paragraph 7.4.28. | If the auditor determines that the work of the auditor's expert is not | 7.4.28 If the auditor determines that the work of the auditor's expert is not adequate for the | 1. Is the requirement relevant and appropriate in the |

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| | Evaluating the Adequacy of the Auditor's Expert's Work | Responding to Assessed Risks of Material Misstatement Specific Focus Areas <i>Using the Work of an Auditor's Expert</i> | adequate for the auditor's purposes, the auditor shall: (a) Agree with that expert on the nature and extent of further work to be performed by that expert; or (b) Perform additional audit procedures appropriate to the circumstances. | 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. | circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in requirements that still achieve reasonable assurance? - |
| Requirement | ISA 620 Paragraph 14 Reference to the Auditor's Expert in the Auditor's Report | Paragraph 9.4.3. Forming an Opinion and Reporting Auditor's Report | 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. | 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. | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or modified for the circumstances of an LCE? No. 3. Do the changes result in the requirement that still achieve reasonable assurance? - |
| Requirement | ISA 620 Paragraph 15 Reference to the Auditor's Expert in the Auditor's Report | Paragraph 9.5.2. Forming an Opinion and Reporting Modifications to the Opinion <i>Other Matters Relating to Modifications</i> | 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 shall indicate in the auditor's report that such | 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 shall indicate in the auditor's report that such reference does | 1. Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes. 2. Should / could the requirement be revised or |

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| | | | reference does not reduce the auditor's responsibility for that opinion. | not reduce the auditor's responsibility for that opinion. | <p>modified for the circumstances of an LCE?</p> <p>No.</p> <p>3. Do the changes result in the requirement that still achieve reasonable assurance?</p> <p>No.</p> |
| Application Material | ISA 620 Paragraph 3 | With Paragraph 5.2.9. Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i> | - | ... <i>The auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the auditor's use of the work of an auditor's expert. Nonetheless, if the auditor using the work of an auditor's expert concludes, based on the audit evidence obtained, that the work of that expert is adequate for the auditor's purposes, the auditor may accept that expert's findings or conclusions in the expert's field as appropriate audit evidence.</i> | Essential Explanatory Material |
| Application Material | ISA 620 Paragraph A6 Determining the Need for an Auditor's Expert | With Paragraph 5.2.9. Planning Planning Activities <i>Determining Whether to Use the Work of an Auditor's Expert</i> | | <i>If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements. The engagement partner is required to be satisfied that the engagement team, and any auditor's experts who are not</i> | Essential Explanatory Material |

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| | | | | <p><i>part of the engagement team, collectively have the appropriate competence and capabilities to perform the audit engagement. Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement. The auditor's determination of whether to use the work of an auditor's expert, and if so when and to what extent, assists the auditor in meeting these requirements. As the audit progresses, or as circumstances change, the auditor may need to revise earlier decisions about using the work of an auditor's expert.</i></p> <p>...</p> | |