



INTERNATIONAL STANDARD ON AUDITING FOR LESS COMPLEX ENTITIES – HOW TO ENHANCE USABILITY: CALL FOR VIEWS

Issued 21 May 2026

ICAEW welcomes the opportunity to comment on the Call for Views (CfV) on the International Standard on Auditing for Less Complex Entities 'ISA for LCE' for published by the Financial Reporting Council (FRC) on 26 March 2026, a copy of which is available from this [link](#).

ICAEW welcomes the opportunity to comment on the CfV. We are encouraged by the FRC's response to calls for consideration of this standard by many respondents to its exposure of PN 28, although there is mixed messaging in the CfV. The three questions are sensible, but they are not restricted to the IAASB's maintenance project as described, and they do not align with other messaging about the purpose of the CfV.

The [FRC's Annual Plan and Budget 2026/27](#) set out as one of its major projects, 'supporting Small-Medium Enterprises', alongside a stated objective to 'ensure audits for SMEs are more practical, proportionate and appropriate for smaller, less complex businesses'. Accordingly, the ISA for LCE, developed with full due process, has the potential to benefit many UK SMEs.

The FRC's views of the ISA for LCE are well known but many are disappointed by the negative wording and tone of the CfV. This has led some firms to conclude that the FRC has no intention of considering adoption, which may have put some firms off responding at all, which is regrettable. We do not believe that the FRC has substantiated its beliefs that the standard is not needed, or cannot be operationalised, that it will be detrimental to audit quality, confusing in the audit market or that it is not being adopted elsewhere.

The ISA for LCE has been through full due process. Many take the view that it is fit for purpose for use in the UK as it stands, that it is needed in the UK, and that its adoption for certain audits will result in greater audit efficiency and enhanced audit quality, as well as providing basis for its improvement.

ICAEW believes that the UK Government's growth agenda, the public interest, and the FRC's own leading role in the advancement of audit quality, including SME audit quality, all demand that the FRC make the ISA for LCE available in the UK as set out in this response. ICAEW stands ready to help facilitate this.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 [icaew.com](#)

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

This response of 21 May 2026 has been prepared by the ICAEW Audit and Assurance Faculty. Recognised internationally as a leading authority and source of expertise on audit and assurance issues, the faculty is responsible for audit and assurance submissions on behalf of ICAEW. The faculty has around 32,000 members drawn from practising firms and organisations of all sizes in the private and public sectors.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 210,000 members and students around the world. 98 of the top 100 global brands employ ICAEW Chartered Accountants. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2026

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: Audit and Assurance – tdaf@icaew.com

KEY POINTS

ICAEW welcomes the Call for Views (CfV)

1. ICAEW appreciates the opportunity to comment on the FRC's Call for Views (CfV) on the International Standard on Auditing for Less Complex Entities (ISA for LCE) to inform its ongoing engagement with the International Auditing and Assurance Standards Board (IAASB). This standard has the potential to benefit a very large number of UK SMEs. We are encouraged by the fact that the FRC has responded to calls for consideration of the ISA for LCE by many respondents to its exposure of Practice Note 28 *Guidance for audits of small and medium-sized entities*.¹
2. There is mixed messaging in the CfV. The three questions asked in the paper itself are sensible but they are not aligned with the framing of the CfV in the context of the maintenance project, which is largely limited to the update of ISAs 240 and 570. The questions are also disconnected from statements on the website about (a) sharing views on how audits of less complex entities can be 'delivered more proportionately while providing the same level of assurance and evidence as a full ISA (UK) audit' and (b) the maintenance project being 'a valuable opportunity for the FRC to voice its concerns' over the standard.'
3. The FRC's views of the ISA for LCE are well known but many are disappointed by the negative wording and tone of the CfV. The CfV contains no link to the ISA for LCE or to the IAASB's maintenance project. Some firms have concluded that the FRC has no real intention of considering adoption, regardless of responses, and we fear that as a result, some may have decided that there is little point in taking the time and effort to respond. This is regrettable and we hope the FRC will seek to avoid this situation going forward, however inadvertently it has arisen.
4. The ISA for LCE can be found [here](#), and the most recent publicly available documents relating to the maintenance project can be found [here](#). We do not believe that the FRC has substantiated its beliefs, set out clearly in the CfV and elsewhere, that the ISA for LCE is not needed, or cannot be operationalised, that it will be detrimental to audit quality, confusing in the audit market or that it has only been adopted in a small number of jurisdictions. To the best of our knowledge there is no publicly available information about the extent of adoption globally. Assertions about the extent of adoption are currently based largely on hearsay. ICAEW continues to encourage the International Federation of Accountants (IFAC) to complete and publish a survey on the adoption status of the ISA for LCE globally.
5. The CfV is intended to support the FRC's engagement with other national standards setters and regulators. Most of the support for the ISA for LCE globally has come from the profession, particularly SMPs, and the FRC has acknowledged that most of the opposition to it comes from the global regulatory community. We do not believe that the inaction should be justified on the basis of the inaction of other audit regulators in this case. We will continue to press IFAC on the need for both the profession and the IAASB to challenge regulatory opposition on this issue, which is standing in the way of the promulgation of an ISA developed with full due process and the potential to benefit millions of SMEs globally.

The FRC should take the lead globally with the ISA for LCE as with FRS 102

6. The ISA for LCE has been through full due process. It can and should be improved, but many SMPs take the view that it is fit for purpose for use in the UK as it stands. They believe that if implemented in the UK for the audits set out in para 12 below, it will result in greater audit efficiency and enhanced audit quality, even if there are few cost savings, at least initially. What matters is that the standard is used, and that the FRC and IAASB then improve it, based on learnings from usage.

¹ ICAEW and 15 of the 23 other respondents to the FRC's Exposure Draft of PN 28 suggested that the FRC should consider the ISA for LCE in some way and expressed significant concerns about the limitations of PN 28.

7. The FRC has taken the lead globally on several auditing standards, starting with auditor reporting and there is no reason why it should not do so with this one. The FRC has undertaken substantial rewrites of key sections of the standards on going concern and proposed ISA (UK) 250 on NOCLAR and does not regard those rewrites as ISA minuses. Similar modifications of the ISA for LCE, if necessary, in the UK are within the FRC's gift without compromising international alignment.
8. The FRC led the development of a simplified accounting standard for smaller entities in the form of FRS 102. That standard has driven more proportionate and better quality accounting and there is no confusion in the market about whether accounts prepared under FRS 102 provide a 'different degree' of truth and fairness to those prepared under IFRS. Similarly, we do not believe that use of the ISA for LCE in the UK will lead to assumptions in the audit market about a different level of assurance being provided to that provided under the ISAs.
9. **ICAEW believes that the UK Government's growth agenda, the public interest, and the FRC's own leading role in the advancement of audit quality, including SME audit quality, all demand that the ISA for LCE be made available in the UK. We do not underestimate the work involved in scoping the ISA for LCE for use in the UK and, as noted in our response to the FRC on PN 28, we stand ready to help facilitate this.**

Further modifications to the ISA for LCE are not a necessary precondition for it to be adopted in the UK

10. The FRC has asked for details of specific 'issues' with the ISA for LCE. We noted in our [response](#) to the FRC on its PN 28 consultation that improvements *could* be made to virtually all sections of the ISA for LCE (we detailed specific aspects of sections 1-2, 6-8 and 10 in that response). Improvements can always be made but we do not believe that any further improvements are a *necessary precondition* to the adoption of the standard in the UK as set out in para 12, below.
11. We continue to believe that the main issues in the extant standard that warrant further attention by the IAASB are the ISA 315 derived requirements for work on:
 - the design and implementation of certain control activities and IT General Controls (ITGCs) (6.3.12 and 6.3.13) and the requirement for the documentation thereof (6.7.1), even where a substantive approach is taken to an LCE audit. This work is perceived as wasteful in many cases because it is performed for compliance purposes only and provides no meaningful audit evidence or value to the entity.
 - para 6.3.7 on the control environment, which is unnecessarily over-elaborate for LCEs.

The FRC should consult on adopting the ISA for LCE for audits of certain charities and other entities below statutory audit thresholds

12. All stakeholders believe that the ISA for LCE could be improved. However, many also believe that even as it stands, its adoption would result in better quality, more effective and less wasteful audits for some LCEs, particularly smaller LCEs and that **the FRC should therefore consult on permitting its use for:**
 - **all charities that meet the Provisions Available for Audits of Smaller Entities (PASSE) threshold**

- **the many statutory² audits performed for other entities under the statutory monetary audit threshold** where the entity does not or cannot claim audit exemption. This would enable practitioners, regulators, entities and others to determine the market appetite for the ISA for LCE, better understand its benefits and shortcomings, and provide a proper basis for its maintenance and improvement.

13. We acknowledge the concerns expressed by some stakeholders about the need for, benefits, practicalities and potential unintended consequences of adopting the ISA for LCE. But we also believe that if the FRC permitted its use as described above and it gained traction, those stakeholders – including some larger firms and methodology providers - would in fact consider using it.

Maintenance project: proportionality, scalability and suggestions for change

14. The FRC's significant modifications to the ISAs on going concern and proposed modifications to the ISA on NOCLAR are not 'ISA minuses.' Modifications are necessary for proportionality, scalability and to maintain audit quality. They can be made to the ISA for LCE by the IAASB as part of its maintenance project, and by the FRC in the UK, to achieve the same objectives of the ISAs in the specific context of LCE audits.

15. We note in **Appendix 1** to this response, specific examples of deletions and wording improvements that could be made to amendments proposed in the maintenance project. Proportionality and alignment are not the same thing and the FRC and IAASB would do well to remember that incremental additions to the ISAs, with little or no attempt to streamline them further, are what necessitated the ISA for LCE in the first place. The IAASB should consider in particular the case for further modifications in relation to the work on controls as set out in paragraph 11, above.

ANSWERS TO SPECIFIC QUESTIONS

(a) What is your view on the LCE standard which has been issued by the IAASB?

16. ICAEW believes that the ISA for LCE is a response to a call for a much-needed, better quality auditing standard for the audit of less complex entities. It provides reasonable assurance, the same level of assurance as an ISA audit. It is needed in the UK in the public interest, to contribute to the Government's growth agenda.

17. Audit failures are rarely, if ever, associated with deficiencies in auditing standards and the FRC's reservations about the ISA for LCE are misplaced. The requirements are currently very similar to the ISA requirements and audit regulators have more than enough in their armouries with this standard to ensure that audit quality is maintained.

18. There are a range of approaches to the ISA for LCE among network firms with global systems and methodologies. Some firms have embedded the standard into their methodologies because they need to accommodate subsidiary audits performed in jurisdictions that have adopted the standard. Others have not. We understand that at least one major methodology provider has already developed a workable methodology based on the standard for use in another jurisdiction, which we understand might be adapted fairly quickly for use in the UK.

19. The FRC is a mature audit regulator with a track record of leading standard-setting globally and it should take this opportunity to take the global lead once again.

² The CfV refers to the FRC's interest in 'voluntary' audits, which we understand to mean audits performed without reference to ISAs. To the best of our knowledge no such audits are performed, not least because of the perceived inevitability of regulatory challenge. A straw poll of ICAEW working group members developing this response who are SMPs, suggested that between 10% and 50% of the audits performed by the firm are statutory audits performed below the monetary audit threshold, where the entity is eligible for audit exemption on the basis of size but does not take advantage of it.

(b) Are there any parts of the LCE standard which you believe the IAASB should focus on as part of its project to maintain or improve the standard? Please be as specific as possible.

20. Our response to the FRC on its PN 28 consultation noted that improvements could be made to virtually all sections of the ISA for LCE - we detailed specific aspects of sections 1-2, 6-8 and 10 in that response. The main issues in the extant standard that warrant further attention are the ISA 315-derived requirements for work on:

- the design and implementation of certain control activities and ITGCs set out in paragraphs 6.3.12 and 6.3.13, and the requirement for the documentation thereof in paragraph 6.7.1, even where a substantive approach is taken to an LCE audit. Practitioners continue to maintain that this work is wasted because it is performed for compliance purposes only, does not provide meaningful audit evidence and provides no value to the entity
- para 6.3.7 on the control environment, which is unnecessarily over-elaborate for LCEs and can and should be substantially simplified.

21. We do not suggest that these requirements should be removed, or that they are a bar to adoption of the standard in the UK, but rather than the FRC and IAASB should seek to modify them to make them more scalable and proportionate for LCEs. We also note above the significant FRC modifications to other ISAs in the UK that are not regarded as ISA minuses.

(c) Would the LCE standard as currently issued, if used, provide any tangible benefits in the delivery of audits for less complex entities? If yes, please provide examples. If not, why is this the case?

22. ICAEW believes that the ISA for LCE has the potential to provide significant benefits to SMEs and SMPs and that its efficacy, and how it can be improved, can only be demonstrated if it is tried.

23. The ISA for LCE can and should be improved but it is fit for purpose for use in the UK as it stands. It is much needed by smaller companies that are required to have an audit despite their size, many smaller charities and some very small entities in the public sector.

24. While there may be few cost savings or significant reduction in the work effort initially, more efficient audits and more streamlined documentation will ultimately result in cost savings. Further modifications can and should be made to it for the UK in due course.

25. We note in our main points above that the FRC should therefore consult on permitting its use for:

- all charities that meet the PAASE threshold
- the many statutory audits performed for other entities under the statutory monetary audit threshold where the entity does not or cannot claim audit exemption.

26. Further work on how to deal with situations in which it is necessary to look through the ISA for LCEs to the separate ISA, and what action should be taken when it becomes clear that an entity does not fulfil the criteria for applying the ISA for LCE need to be addressed. ICAEW stands ready to help with these and related issues.

Appendix 1

Comments on Maintenance Amendments

- The mark-up in this section is as shown in the proposed amendments presented to the March 2026 IAASB Board meeting. We are aware that further work has been performed on some of these amendments, particularly in relation to section 7 on going concern.
- The word counts in this section are not intended to imply that fewer words are always better, but rather to point out that wording can often be made more concise quite simply, with no change in meaning.

1. Going concern amendments - general

The going concern amendments in section 1 are clumsy and interrupt the flow. We are concerned that IAASB will come under increasing pressure to include a variety of issues in section 1 where they are deemed by the working groups dealing with them to be ‘fundamental’. We understand the rationale for the movement of this material within ISA 570 but the movement of material from section 6 to section 1 makes less sense here.

Much of the inserted material in section 7 on going concern is of little relevance to less complex entities in practice, as well as verbose. Management may be responsible for going concern assessments but no amount of insisting on this in auditing standards will result in the production of assessments, particularly formal written assessments, where there is no business need to do so, simply for the benefit of auditors. It is not right that auditing standards should pretend that such formal, written assessments are or should be the norm, and nor would it be right for auditors always to modify their opinions every time management failed to do so. We understand that further amendments are proposed to this section and we look forward to seeing them.

2. Para 1.4.A

Where the going concern basis of accounting is a fundamental principle in the preparation of financial statements, the preparation of the financial statements requires management to assess the entity’s ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

This is an auditing solution to a very narrow accounting problem where directors are being ‘difficult’ about the going concern principle - and one that is rarely, if ever an issue in smaller audits. The meaning is obscure, it interrupts the flow of the standard and it is unnecessary. Suggest delete

*Based on the audit evidence obtained, whether a material uncertainty exists **related to events or conditions that may cast significant doubt on about***

This appears to be a change in wording ‘for the avoidance of doubt’ which is unnecessary in the context of LCE audits. ‘About’ is a good summary of *related to events or conditions that may cast significant doubt on...* and could be used throughout.

3. Para 1.5

Third party fraud

Fraud or suspected fraud committed against the entity by parties external to the entity is generally described as third-party fraud. As such, if the auditor identifies or suspects an intentional act by a third party resulting in misappropriation of the entity’s assets or fraudulent financial reporting by the entity, the auditor performs audit procedures in accordance with “Responding to Identified Fraud or Suspected Fraud” section in Part 7.4 of this standard. Parties external to the entity that may commit third-party fraud may include related parties, customers, suppliers, service providers or other external parties known to the entity.

It is hard to fathom the mischief this is intended to address. It seems unlikely that auditors or directors of LCEs often try to avoid clear ISA requirements through a wilfully narrow interpretation of the term 'fraud' or 'third party' fraud. All fraud is either (a) misappropriation of assets and/or (b) fraudulent financial reporting and the suggestion that auditors are claiming that they do not need to respond to indications of either, regardless of who perpetrated it, leading to the need for this material, is unnecessary. Suggest delete.

4. Para 1.6.2

Reporting matters to an appropriate authority outside the entity may involve professional judgments. Accordingly, the auditor may consider consulting internally or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action

Poorly worded and unnecessary in this case. Suggest rationalise as follows – 44 against 73 words:

When considering reporting matters to an appropriate authority outside the entity, the auditor may consider consulting internally or with a regulator or professional body, unless doing so is prohibited by law or regulation or would breach the duty of confidentiality, or obtaining legal advice.

5. Para 6.2.4

Fraud risk factors

Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud, or provide an opportunity to commit fraud, or an attitude or rationalization that justifies the fraudulent action. While fraud risk factors may not necessarily indicate the existence of fraud, they have often been present in circumstances where frauds have occurred and therefore may indicate risks of material misstatement due to fraud.

Poorly worded and unnecessary in this case. Suggest rationalise as follows – 46 against 67 words:

Fraud risk factors are incentives or pressures to commit fraud, opportunities to commit it, and rationalizations that justify it. Fraud risk factors do not necessarily indicate the existence of fraud but they are often associated with it and may therefore indicate risks of material misstatement due to fraud.

6. Para 6.3.1

Management is often in the best position to perpetrate fraud. Accordingly, when evaluating management's responses to inquiries with an attitude of professional skepticism, the auditor may judge it necessary to corroborate responses to inquiries with information from other sources.

Unnecessary wording in this case. Rationalise as follows – 32 against 39 words:

When evaluating responses to inquiries of management, the auditor may judge it necessary to corroborate responses with information from other sources because management is often in the best position to perpetrate fraud.

Inquiries about the basis for the intended use of the going concern basis of accounting may assist the auditor in understanding how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern.

This is a very artificial construct when applied to LCEs, so artificial as to be unrecognisable in most cases. Suggest delete.

7. Para 6.3.15

The significance of fraud risk factors varies widely. Some fraud risk factors will be present in entities where the specific conditions do not present risks of material misstatement. Accordingly, the determination as to whether fraud risk factors, individually or in combination, indicate that there are risks of material misstatement due to fraud is a matter of professional judgment.

Verbose and repetitive in substance of related wording in 6.2.4 above – it adds nothing to 6.2.4, suggest delete.

8. Para 7.4.0A.

Where management has not yet performed an assessment of the entity's ability to continue as a going concern, the auditor shall request management to make its assessment. If management is unwilling to make its assessment, the auditor shall consider the implications for the audit.

None of this is helpful in practice to in the vast majority of LCEs. The last sentence is completely redundant.

9. Para 7.4.1

For purposes of the evaluation of management's assessment, "method" refers to the approach taken by management to assess the entity's ability to continue as a going concern, and it is not limited to a measurement technique used by management to make an accounting estimate. A method may be based on using qualitative or quantitative information and involves applying assumptions and data, and taking into account a set of relationships between them.

This is pedantry as far as most LCEs are concerned, suggest delete.

It is not the auditor's responsibility to rectify a lack of analysis by management. In some circumstances, however, a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances.

The use of the triple negative here reads particularly poorly and it is excessively wordy.

Suggest rationalise as follows, 39 against 50 words:

It is not the auditor's responsibility to rectify the absence of management analysis, but extensive analysis is not necessarily needed to support management's assessment, or the auditor's conclusion about whether the use of the going concern basis is appropriate.

10. Para 7.4.1.D

Where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen.

The level of detail and the formality of management's process to extend its assessment of the entity's ability to continue as a going concern to at least twelve months from the date of approval of the financial statements may vary from entity to entity. For LCEs, it may often be that management can update their assessment through less formal means.

Unnecessarily wordy. Suggest rationalise as follows – 85 vs 150 words:

Where management does not extend the assessment period, additional information to support the appropriateness of the going concern basis may be provided where, for example, the entity is profitable and has no liquidity concerns, and management have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen. Management of LCEs may often be able to update their assessment to at least twelve months from the date of approval of the financial statements through less formal means.

However, the reference to ‘less formal means’ in the ISA and the suggestion rationalisation is mostly wasted and means nothing in practice. Suggest delete.

11. Para 8.5.7

When indicators of possible management bias are identified, the auditor shall evaluate the implications for the audit.

Redundant, as are many exhortations of this nature in the ISAs, suggest delete.

12. Para 8.5.8

When events or conditions are identified that may cast significant doubt on the entity’s ability to continue as a going concern, the auditor’s conclusion is dependent on the auditor’s evaluation of management’s plans for future actions.

Plans for future actions may include, for example, that management realizes assets sooner than originally intended or obtains alternative or additional sources of liquidity to support the entity’s ability to continue as a going concern. In such circumstances, the timing of the events or conditions giving rise to the uncertainty may also be relevant.

Unnecessarily wordy. Plans by definition are for future actions, ‘include’ and ‘for example’ mean the same thing. Suggest rationalise as follows, 56 against 90 words:

The auditor’s conclusion on going concern depends on the evaluation of management’s plans to address events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, including the timing of plans. Plans may include the realization of assets sooner than originally intended or obtaining alternative or additional sources of funding.

13. Para 8.6.1

~~*...With respect to going concern, if a material uncertainty exists, information about their plans for future actions and the feasibility of these plans;*~~

and

8.6.2A.

If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern, the written representations shall also address management’s plans for future actions and whether such plans mitigate the effects of the identified events or conditions, the feasibility of these plans and whether management has the intent to carry out specific courses of action and has the ability to do so.

Repetitive.

Suggest rationalise as follows, 44 against 71 words:

...With respect to going concern, if a material uncertainty exists: information about their plans for future actions, whether they mitigate the effects of the identified events and conditions, the feasibility of those plans and whether management intends and is able to carry them out.

14. Para 1.5

~~*An auditor conducting an audit in accordance with this standard is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The While the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error that does not diminish the auditor's responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud. Because of the significance of the inherent limitations of an audit as it relates to fraud, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with this standard. This is because fraud may involve sophisticated and carefully organized schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor. However, the inherent limitations of an audit are not a justification for the auditor to be satisfied with less than persuasive audit evidence.*~~

....

The last phrase in this paragraph is taken from para 10 of ISA 240 with reference to A12, which explains it in terms very similar to those set out in the previous sentence that has been struck out. This is a good example of a cryptically worded or opaque requirement, whose meaning is unclear that only makes sense when read in conjunction with the related application material. The cryptic wording suggests that auditors are generally guilty of accepting less than persuasive audit evidence. This makes little sense, given the overarching requirement for auditors to obtain precisely that, and all the remedies available to audit regulators if they do not. The actual meaning, when read in conjunction with the application material, is somewhat different. Auditors should not have to read application material for mandatory requirements to make sense. Requirements worded in this way end up meaning whatever the reader wants them to mean which puts auditors at a disadvantage when engaging with audit regulators, encourages caprice and brings standard-setting into disrepute.

The last sentence above should be deleted and the previous sentence, which is still in A12, reinstated, or the two sentences should at least be reversed.

~~*Non-Compliance with Laws and Regulations Fraud ordinarily constitutes an instance of non-compliance with laws and regulations. As such, if the auditor identifies fraud or suspected fraud, the auditor also has responsibilities in accordance with section 1.6. of this standard.*~~

This addition is unnecessary and should be deleted. It arises from a technical debate that is unlikely to be relevant to most LCEs.