

# Nepal Standards on Auditing 2024

## Volume II



लेखापरीक्षणमान बोर्ड  
**AUDITING**  
STANDARDS BOARD

(Established by the Government of Nepal Under the Nepal Chartered Accountants Act,  
1997)

5<sup>th</sup> Floor, ICAN Building, Satdobato, Lalitpur, Nepal

Post Box No.: 24862, Phone No.: 01-5439437

Email: [secretariat@ausb.gov.np](mailto:secretariat@ausb.gov.np), website: [www.ausb.gov.np](http://www.ausb.gov.np)

## © Auditing Standards Board

First Publication	:	2005
Reprint	:	2007
Reprint	:	2009
Reprint	:	2010
Reprint	:	2012
Revised	:	2015
Reprint	:	2017 (300 Copies)
Revised	:	2018 (1000 Copies)
Revised	:	2024 (700 Copies)

Price : Rs. 1000/-

### **Published By**

Auditing Standards Board

5<sup>th</sup> Floor, ICAN Building, Satdobato, Lalitpur, Nepal

Post Box No.: 24862, Phone No.: 01-5439437

Email: [secretariat@ausb.gov.np](mailto:secretariat@ausb.gov.np), website: [www.ausb.gov.np](http://www.ausb.gov.np)

### **Published By**

Siddhakali Printing Press

Putalisadak, Kathmandu

## Foreword

It has been observed that the International Auditing and Assurance Standards Board (IAASB) has been reviewing, revising, and developing International Standards on Auditing (ISA) annually with the support of a highly qualified and experienced expert team on a regular basis. The IAASB believes that transparent, high-quality international standards are essential pillars of the global financial architecture for the global economy. IAASB has been issuing ISAs in three volumes consisting of the **Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements** annually, and the same is being reviewed and revised periodically, partly and fully, as and when need arises. Currently, IAASB has already issued the **ISA for Less Complex Entities (LCE) and Conforming Amendment to Other International Standards Arising from the ISA for LCE** was approved by the IAASB Board on 21<sup>st</sup> September 2023 (3<sup>rd</sup> Ashwin 2080) and pronounced on 6<sup>th</sup> December 2023 (20<sup>th</sup> Mangsir 2080). The new **ISA for LCE and Conforming Amendment to Other International Standards Arising from the ISA for LCE** issued by IAASB shall be effective from 15<sup>th</sup> December 2025 (30<sup>th</sup> Mangsir 2082).

The Auditing Standards Board (AuSB or Board), Nepal has also revised Nepal Standards on Auditing 2024 (NSA 2024), Volume I and Volume II after careful review and study by replacing Nepal Auditing Standards 2018 (NSA 2018) Volume I and Volume II which consist of the Quality Control Standards, Quality Management Standards, Practice Notes, Auditing Standards for Historical Financial Information, and Assurance Standards for Audits or Reviews of Other than Historical Financial Information, in two volumes. As mandated by Nepal Chartered Accountants Act 1997, Nepal Standards on Auditing – 2024 are formulated by the Board in line with the **Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (2021 Edition)** issued by the International Auditing and Assurance Standards Board (IAASB).

Standard setters globally are in the process to develop and update the new practices in auditing techniques and methodologies through different standards. They are developing/revising the standards after considering the increasingly complex financial landscapes around the globe and the additional requirements to meet the needs of auditors, regulators, investors, academics, and the public. Based on the recommendation of the clarity project and considering the increasingly complex financial landscapes (such as the introduction of new technologies, war conditions and pandemics etc.), IAASB has developed, revised and redrafted the standards to enhance the quality and uniformity of audit practices across the globe and strengthen public confidence in the global accounting profession.

This Volume II of Nepal Standards on Auditing – 2024, consists of the Nepal Auditing Practice Notes, Nepal Standards on Review Engagements, Assurance Engagements, Related Services, Framework for Audit Quality and Assurance Engagements. Apart from this, some new and revised standards [NSQM 1, NSQM 2, NSA 220 (Revised), NSA 600 (Revised) and NSRS – 4400 (Revised)] along with the “Conforming and Consequential Amendments to the AuSB’s Other Standards as a Result of the New and Revised Quality Management Standards and NSA 600 (Revised)” are also incorporated separately at the end of this handbook. Out of these standards, new & revised standards (that have already been effective internationally since 1<sup>st</sup> January 2022) will be effective for voluntary compliance from 1<sup>st</sup> Shrawan 2082 (16<sup>th</sup> July 2025) and for mandatory compliance from 1<sup>st</sup> Shrawan 2083 (17<sup>th</sup> July 2026). Further, the rest of the standards will be effective for voluntary compliance from 1<sup>st</sup> Shrawan 2081 (16<sup>th</sup> July 2024) and for mandatory compliance from 1<sup>st</sup> Shrawan, 2082 (16<sup>th</sup> July 2025).

Nepal Standards on Auditing are to be read in conjunction with the framework that governs the standards set by the Board. While the development of standards is important and progress made in this sector is satisfactory, the application of standards is considered more important and remains a big challenge. With the objective to facilitate better understanding and widespread application of NSAs, AuSB has plans to publish checklists, guidance notes, and other supporting materials, along with conducting a series of comprehensive orientation programs.

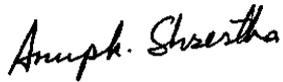
Apart from this, I am very excited and pleased to share that the ISA for LCE and the Conforming Amendment to Other International Standards Arising from the ISA for LCE were already issued by the IAASB, and AuSB has also already made satisfactory progress in finalizing the review and issue of the Nepal Standards on Auditing for Audits of Financial Statement of Less Complex Entities (NSA for LCE) in the Nepalese context, which has been desperately waiting to be published since long time.

With the objective of providing greater accessibility and convenience to all stakeholders, I am pleased to announce that our website ([www.ausb.gov.np](http://www.ausb.gov.np)) now offers access to the Board’s publications as e-books as well. Currently, we have NSA 2018 (English Version), NSA 2024 (English Version) and Audit Reference Material (Nepali Version) in electronic form. We believe that the availability of e-books will cater to easy accessibility and the evolving highly beneficial to all the stakeholders.

I extend my sincere appreciation to the “Nepal Auditing Standards, Assurance Standards Review, Amendment and Development Technical Committee” coordinator and members: CA. Jitendra Kumar Mishra, Mr. Tara Prasad Pandey, CA. Teknath Acharya, CA. Bhoj Raj Pandey and RA. Bahadur Singh Bista. Further, my special thanks and appreciation goes to CA. Achyut Raj Joshi, CA. Anjana Pokharel, CA. Bidur Luitel, CA. Bikesh Madhikarmi, CA. Chandra Kanta Bhandari, CA. Gopal Kumar Shrestha, CA. Gyanendra Bahadur Bhari, CA. Kiran Kumar Khatri, CA. Laba Kumar

Khatri, CA. Prabin Raj Kafle and CA. Ramesh Dhital for the draft review and preparation of this Nepal Standards on Auditing 2024. My deep appreciation to all the members of the Board, the Chief Executive Officer, and the Secretariat, including all staff of AuSB for their valuable dedication and hard work in bringing this updated volume of AuSB. I also take this opportunity to express my sincere gratitude to CA. Bhaskar Singh Lala, Past President, CA. Sujan Kumar Kafle, President, CA. Prabin Kumar Jha, Vice President, Council of the Institute of Chartered Accountants of Nepal (ICAN), Association of Chartered Accountants of Nepal (ACAN), Auditors Association of Nepal (AUDAN) and all other members of the ICAN for their constructive feedback and support for the timely application of standards issued by the Board.

Finally, as we embark on our journey through "Nepal Standards on Auditing 2024" in two volumes, I encourage you all to embrace the principles of diligence, professionalism, and ethical responsibility that define our profession. May this book serve as a beacon, guiding you towards achieving audit quality and maintaining public trust in financial reporting.



CA. Anup Kumar Shrestha  
Chairman  
Auditing Standards Board

June 2024

## **Auditing Standards Board Seventh Term Board Members**

CA. Anup Kumar Shrestha	Chairman
Mr. Gyanendra Raj Ojha	Member (Representative of Ministry of Finance)
Mr. Tara Prasad Pandey General)	Member (Representative of Office of Auditor)
CA. Teknath Acharya	Member
CA. Jitendra Kumar Mishra	Member
CA. Bhoj Raj Pandey	Member
RA. Bahadur Singh Bista	Member

## **Secretariat**

CA. Nabin Devkota	Chief Executive Officer
Mr. Manoj Bhattarai	Administrative Officer

## **Technical Consultants for Revision of NSA 2024**

CA. Achyut Raj Joshi	Technical Consultant
CA. Anajna Pokharel	Technical Consultant
CA. Bidur Luitel	Technical Consultant
CA. Bikesh Madhikarmi	Technical Consultant
CA. Chandra Kanta Bhandari	Technical Consultant
CA. Gopal Kumar Shrestha	Technical Consultant
CA. Gyanendra Bahadur Bhari	Technical Consultant
CA. Kiran Kumar Khatri	Technical Consultant
CA. Laba Kumar Khatri	Technical Consultant
CA. Prabin Raj Kafle	Technical Consultant
CA. Ramesh Dhital	Technical Consultant

## TABLE OF CONTENTS

S.N.	NSA No	Standards	Page No.
<b>NEPAL AUDITING PRACTICE NOTES</b>			
1	NAPN 1000	Special Considerations in Auditing Financial Instruments	1-67
<b>AUDITS AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION</b>			
<b>2000-2699 Nepal Standards on Review Engagements</b>			
2	NSRE 2400 (Revised)	Engagements to Review Historical Financial Statements	68-154
3	NSRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity	155-195
<b>ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION</b>			
<b>3000-3699 Nepal Standards on Assurance Engagements (NSAEs)</b>			
3000-3399 Applicable to All Assurance Engagements			
4	NSAE 3000 (Revised)	Assurance Engagements Other than Audits or Reviews of Historical Financial Information	196-286
3400-3699 Subject Specific Standards			
5	NSAE 3400	The Examination of Prospective Financial Information (Previously NSA 810)	287-297
6	NSAE 3402	Assurance Reports on Controls at a Service Organization	298-352
7	NSAE 3410	Assurance Engagements on Greenhouse Gas Statements	353-444
8	NSAE 3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	445-481
<b>RELATED SERVICES</b>			
<b>4000-4699 Nepal Standards on Related Services (NSRS)</b>			
9	NSRS 4400	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously NSA 920)	482-491

<b>S.N.</b>	<b>NSA No</b>	<b>Standards</b>	<b>Page No.</b>
10	NSRS 4410 (Revised)	Compilation Engagements	492-536
<b>AUDIT QUALITY</b>			
11		A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality	537-604
<b>ASSURANCE FRAMEWORK</b>			
12		Amended Nepal Framework for Assurance Engagements	605-640
<b>NEW AND REVISED STANDARDS</b>			
13	NSQM 1	Quality Management for Firms That Perform Audit or Reviews of Financial Statements, or Other Assurance or Related Services Engagements	641-735
14	NSQM 2	Engagement Quality Reviews	736-758
15	NSA 220 (Revised)	Quality Management for an Audit of Financial Statements	759-805
16		Confirming Amendments to Nepal Standards on Auditing (NSA) and Related Material Arising from the Quality Management Standards	806-840
17	NSA 600 (Revised)	Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	841-924
18		Conforming and Consequential Amendments Arising from Proposed NSA 600 (Revised)	925-966
19	NSRS 4400 (Revised)	Agreed-upon Procedures Engagements	967-1003
20		Conforming and Consequential Amendments to the AuSB's Other Standards as a Result of the New and Revised Quality Management Standards	1004-1059