

**The Nepal Standards on Auditing for Audits of
Financial Statements of Less Complex Entities
(the NSA for LCE)**



लेखापरीक्षणमान बोर्ड
AUDITING
STANDARDS BOARD

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

5th Floor, ICAN Building, Satdobato, Lalitpur, Nepal

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

Email: secretariat@ausb.gov.np, website: www.ausb.gov.np

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Foreword

In a world where financial transparency and accountability are paramount, the need for robust auditing standards has never been more pressing. Financial statements and the audit opinion constitute the basis for decision-making by stakeholders, investors, and regulators. However, the complexity and resource-intensive nature of traditional audit processes may pose difficulties for less complex entities (LCEs), such as small and medium-sized enterprises. Recognizing this need, the International Auditing and Assurance Standards Board (IAASB) has initiated the development process of “The International Standards on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE)” in BS 2074 (2017 AD). Following extensive technical discussions and multiple revisions, the standard was finalized and approved on 4th Ashwin 2080 (21st September 2023). Further, the ISA for LCE was pronounced by IAASB on 20th Mangsir 2080 (6th December 2023), after getting approval from the Public Interest Oversight Board (PIOB).

Considering the importance and urgency for the development of a similar standard in Nepal, the Auditing Standards Board (AuSB) has started to work immediately from 22nd Mangsir 2080 (8th December 2023) for review, study and develop similar standard as “The Nepal Standards on Auditing for Audits of Financial Statements of Less Complex Entities (the NSA for LCE)” on the basis of the ISA for LCE. After having discussions on the various Technical Committee meetings, Board meetings and meeting/ interactions with the regulators/stakeholders, the NSA for LCE has been developed and finalized in accordance with the local jurisdiction as of 1st Ashwin 2081 (17th September 2024) following the completion of all the due processes. The NSA for LCE is going to be effective from 1st Shrawan 2083 (17th July

2026) with an option to implement voluntarily before the due date.

The NSA for LCE marks a significant milestone in auditing. It brings together the rigor and reliability of the broader NSA framework, while offering a simplified and efficient approach for auditing of the financial statements of LCEs. By providing clear, practical, and proportionate auditing standards, the NSA for LCE ensures that audits of smaller, less complex entities maintain high quality without the unnecessary burden of procedures designed for larger, more intricate organizations.

This standard reflects the commitment of the AuSB to fostering inclusivity in the Nepalese financial landscape. By tailoring auditing practices to the size and complexity of entities, the NSA for LCE enables a wider range of organizations to meet regulatory and financial reporting requirements without compromising on the integrity or quality of the audit.

This book serves as an essential guide for practitioners involved in an audit of financial statements of less complex entities. It offers detailed explanations, practical examples, and guidance on how to apply the NSA for LCE in a way that balances simplicity with thoroughness. Further, I am pleased to share the fact that the AuSB has already initiated the translation process of the NSA for LCE in Nepali Language as well, with an objective to promote the standard in a broader group of the stakeholders. Although English version of the standard will be the authoritative one, AuSB believes that Nepali version of the standard will serve as a strong medium to disseminate the contents and intent of the NSA for LCE more broadly.

With the objective of providing greater accessibility and convenience to all stakeholders, I am pleased to share information about the website of the Board (www.ausb.gov.np) which has

been providing soft copy access to all publications in the form of e-books such as NSA 2018 (English Version), NSA 2024 (English Version), NSA for LCE (English Version) and Audit Reference Material (Nepali Version) in electronic form. Further, Nepali version of the NSA for LCE will also be available as e-book shortly. 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 CA. Anup Kumar Shrestha, chairman; and the “Nepal Auditing Standards, Assurance Standards Review, Amendment and Development Technical Committee” coordinator and members of the Seventh Term: CA. Jitendra Kumar Mishra, CA. Teknath Acharya, CA. Bhoj Raj Pandey and RA. Bahadur Singh Bista. Further, my special thanks and appreciation goes to CA. Binay Prakash Shrestha and CA. Bikesh Madhikarmi for the draft review and preparation of this “The Nepal Standards on Auditing for Audits of Financial Statements of Less Complex Entities (the NSA for LCE)”. I also take this opportunity to express my sincere gratitude to CA. Sujan Kumar Kafle, Past President; CA. Prabin Kumar Jha, President; CA. Nil Bahadur Saru Magar, 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 effective implementation of the NSA of LCE issued by the Board. My special thanks and appreciation to all the Board members of the seventh term, the Chief Executive Officer, and the Secretariat, including all staff of AuSB for their valuable dedication and hard work for developing and printing of the NSA for LCE well on time.

Finally, as we embark on our journey through "The Nepal Standards on Auditing for Audits of Financial Statements of Less Complex Entities (the NSA for LCE)", I encourage all the professionals to embrace the principles of diligence, professionalism, and ethical responsibility that define the audit profession. May this book serve as a beacon, guiding all concerned towards achieving audit quality and maintaining public trust and faith in financial reporting.

A handwritten signature in black ink that reads "Tara Prasad Pandey". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Mr. Tara Prasad Pandey
Acting Chairman
Auditing Standards Board

November 2024

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THE NEPAL STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

(Effective for audits of financial statements of less complex entities for periods beginning on or after Shrawan 1, 2083)

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