

### Maintenance of the ISA for LCE<sup>1</sup> – Analysis of the Public Interest Issues

This agenda item sets out the relevance for the ISA for LCE of the public interest issues (PIIs) that were addressed during the development of the International Standards on Auditing (ISAs) projects in scope for this ISA for LCE maintenance project.<sup>2</sup> This agenda item must be read together with **Agenda Items 12-B** and **12-C**.

For the December 2025 IAASB meeting, the Project Team focused its analysis on issues that are expected to be addressed in the following parts and appendices of the ISA for LCE:

- (a) Part A, *Authority of the ISA for LCE*;
- (b) Part 1, *Fundamental Concepts, General Principles and Overarching Requirements*;
- (c) Part 2, *Audit Evidence and Documentation*;
- (d) Part 3, *Engagement Quality Management*;
- (e) Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*; and
- (f) Appendix 1, *Glossary of Terms*

The PIIs that relate to Parts 5–10 and Appendices 2–7 of the ISA for LCE have been grayed out in the tables below.

The PIIs are presented in the following four tables:

- Table A: ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
- Table B: ISA 570 (Revised 2024), *Going Concern*;
- Table C: Narrow Scope Amendments Related to the Definitions of Listed Entity and PIE; and
- Table D: Narrow Scope Amendments Arising from the IESBA's Using the Work of an External Expert Project.

For each PII, the relevant paragraphs from the applicable ISAs have been included to provide context and facilitate reference. The last two columns in each table set out the Project Team's conclusion regarding the relevance of the PII to the ISA for LCE and the part in which the PII will be addressed in the ISA for LCE.

<sup>1</sup> The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE)

<sup>2</sup> The following ISA projects are in scope as set out in the Proposed Project Proposal (see [Agenda Item 3-B](#)):

- ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
- ISA 570 (Revised 2024), *Going Concern*;
- The narrow scope amendments to the ISAs as a result of the revisions to the definitions of listed entity and public interest entity (PIE) in The International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)*; and
- The narrow scope amendments to IAASB Standards arising from the IESBA's using the work of an external expert project.

**Table A: Public Interest Issues included in the Project Proposal of ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements***

Public Interest Issue (PII) as included in the project proposal	Paragraph Addressing the PII in ISA 240 (Revised)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
<b>Roles and Responsibilities of the Auditor on Fraud in an Audit of Financial Statements</b>			
1. The introductory paragraphs in ISA 240 <sup>4</sup> explaining the inherent limitations of an audit can be misleading and result in misunderstanding of the auditor's obligations.	Para. 9–11 Para. A12	Yes	Part 1
2. A need has been expressed to clarify and emphasize the auditor's responsibilities regarding fraud in an audit of financial statements.	Paras. 2–8 Para. A1–A11	Yes	Part 1
3. There are terms and concepts associated with fraud, such as bribery, corruption, and money laundering, that are not directly addressed in the definition of fraud, and it has been noted that it is therefore unclear whether the auditor's procedures extend to include work related to such terms and concepts.	Paras. A19–A23	Yes	Part 1
4. Calls for the auditor undertaking more forensic type procedures, or the need for forensic specialists on all, or some, audits have been made due to the increasing use of forensic procedures on audits, including by forensic specialists.	Paras. 23, Paras. A38–A42	These aspects of the PII are expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
	Para. 24 Paras. A43	Yes	Part 3

<sup>3</sup> Unless otherwise stated, if answered yes, the Project Team is of the view that the ISA for LCE contains requirements and essential explanatory material (EEM) based on the ISAs requirements that gave rise to this PII. Therefore, the same issue could arise for audit engagements in which the ISA for LCE is applied.

<sup>4</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Public Interest Issue (PII) as included in the project proposal	Paragraph Addressing the PII in ISA 240 (Revised)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
<b>Identifying and Assessing Risks of Material Misstatement Due to Fraud</b>			
5. The auditor's risk identification and assessment process as it relates to fraud should be more robust (including that many aspects of the enhanced risk identification and assessment procedures in ISA 315 (Revised 2019) <sup>5</sup> have not been reflected in ISA 240).	Paras. 26–41 Paras. A24–A26, A49–A125 Appendix 1	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
6. The engagement team discussion is not sufficiently robust with respect to the auditor's considerations of fraud throughout the audit.	Para. 29, Paras. A43, A53–A59	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
<b>Responses to the Assessed Risks of Material Misstatement due to Fraud</b>			
7. The auditor's responses to the assessed risks of material misstatement due to fraud should be more robust.	Paras. 42–53 Paras. A126–A155	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
8. The auditor is inappropriately relying on written representations provided by management addressing fraud in the entity (i.e., clarity is needed that written representations do not relieve the auditor of the responsibility to appropriately respond to the assessed risks of material misstatement due to fraud).	Para. 63 Paras. A193–A194	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

<sup>5</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Public Interest Issue (PII) as included in the project proposal	Paragraph Addressing the PII in ISA 240 (Revised)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
<b>Use of Technology</b>			
9. ISA 240 needs to consider the impact of the entity's ability to use technology to enable fraudulent activity on the auditor's procedures.	Paras. A5, A9, A36, A40–A41, A56, A62, A66, A101, A103, A128, A129, A147, A151, A155 Appendix 2 and Appendix 4	The Project Team will consider all issues related to the use of technology in a holistic way. This PII will be discussed at the March 2026 IAASB meeting.	
10. ISA 240 needs to be modernized for the auditor's considerations about how new and evolving technologies, and current practice, impacts the auditor's procedures when considering fraud.	Paras. A5, A9, A36, A40–A41, A56, A62, A66, A101, A103, A128, A129, A147, A151, A155 Appendix 2 and Appendix 4	The Project Team will consider all issues related to the use of technology in a holistic way. This PII will be discussed at the March 2026 IAASB meeting.	
<b>Relationship Between and Linkage of ISA 240 With Respect to ISA 250 (Revised)<sup>6</sup> and the Other ISAs</b>			
11. The relationship between ISA 240 and ISA 250 (Revised) is unclear, i.e., more clarity is needed if a fraud is identified or	Para. 14 Paras. A15–A17	Yes	Part 1

<sup>6</sup> ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

Public Interest Issue (PII) as included in the project proposal	Paragraph Addressing the PII in ISA 240 (Revised)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
suspected, whether the auditor is performing procedures to comply with ISA 240 or ISA 250 (Revised).	Appendix 5		
12. The relationship between ISA 240 and other ISAs (e.g., standards addressing quality management, written representations, and external confirmations) should be clarified to promote an integrated risk-based approach with respect to fraud.	Para. 14 Paras. A15–A17 Appendix 5	No – The ISA for LCE is designed to follow the typical flow of an audit and integrates the different concepts. Therefore, the relationship between fraud and other matters does not need to be further clarified in the ISA for LCE.	N/A
<b>Specific Fraud-Related Audit Procedures</b>			
13. Journal entries – uncertainty about how to select which journal entries to test that has resulted in inconsistent application.	Paras. 35– 36, 48–49 Paras. A99– A107, A136– A147 Appendix 4	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
14. Presumption of fraud risk in revenue recognition – it is not clear when it may, or may not, be appropriate to rebut the presumption of fraud risk in revenue recognition, which has resulted in inconsistent application.	Para. 41 Paras. A114, A119– A125	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
15. Presumption of fraud risk in other account balances – stakeholders have questioned whether the presumption of fraud risk should be extended to include other account balances, such as goodwill.	Paras. A114, A116	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

Public Interest Issue (PII) as included in the project proposal	Paragraph Addressing the PII in ISA 240 (Revised)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
16. Analytical procedures – analytical procedures at the planning and completion stages of the audit are not robust enough to support the auditor's consideration of the risk of fraud and the planned audit response (nature, timing, extent of audit procedures).	Paras. 30, 53 Paras. A60, A154–A155	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
17. Fraud is identified or suspected – lack of clarity around the auditor's response in such circumstances.	Paras. 55–58, Paras. A7–A11, A28, A156–A172	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
18. Unpredictability of audit procedures – unclear as to the required actions or types of fraud-related procedures to be undertaken by the auditor.	Para. 43 Paras. A126–A128	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
19. Non-material fraud – clarity is needed with respect to the auditor's responsibilities and whether more should be done when a possible non-material fraud is identified or suspected.	Para. A11	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
20. Third party fraud – clarity is needed around the auditor's actions with respect to third party fraud.	Para. 29(a)(ii)(c) Paras. A22–A23, A57, A84	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
21. Audit documentation – clarity is needed on what needs to be documented for fraud when identifying and assessing the risk of material misstatement, performing audit procedures and concluding.	Para. 68 Para. A206	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
22. External confirmations – clarity is needed as to whether the external confirmation process, as relevant to the auditor's considerations on fraud, should be more robust.	Paras. A130–A134	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

Public Interest Issue (PII) as included in the project proposal	Paragraph Addressing the PII in ISA 240 (Revised)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
<b>Professional Skepticism</b>			
23. The appropriate exercise of professional skepticism needs to be reinforced, including reminding the auditor of the importance of remaining alert to conditions that may indicate possible fraud and maintaining professional skepticism throughout the audit.	Paras. 12–13, 19–21, 42 Paras. A13–A14, A27–A33	Yes	Part 1
<b>Transparency on the Auditor's Fraud-Related Procedures</b>			
24. The required communications with those charged with governance on fraud considerations may not be sufficiently robust in the current environment, including that such communications relating to fraud matters are not presently explicitly required throughout the audit.	Paras. 21, 25, A33, A44–A48	Yes	Part 1
	Paras. 32(c) –, 33(b), 34(b), 49(a), 55, 59(c)(i), 64–66 Paras. A80–A82, A92–A95, A97–A98, A158–A162, A195–A200	These aspects of the PII are expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
25. The auditor's report may not be transparent enough about the auditor's fraud-related responsibilities and procedures.	Paras. 60–62, A177–A192	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

**Table B: Public Interest Issues (PIIs) included in the Project Proposal of ISA 570 (Revised 2024), *Going Concern***

Public Interest Issue	Paragraph Addressing the PII in ISA 570 (Revised 2024)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
Risk Identification and Assessment			
26. ISA 570 (Revised) <sup>7</sup> does not reflect the more robust risk identification and assessment process in ISA 315 (Revised 2019). A stronger link to ISA 315 (Revised 2019) would support timely identification of matters relating to management’s assessment of going concern about events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern	Paras. 11–15 Paras. A7–A10; A12–A32	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
Timeline Over Which the Going Concern Assessment is Made			
27. There was a call to consider requiring the auditor to assess the reasonableness of the period utilized by management in their going concern assessment.	Paras. 21–23; 29 Paras. A50–A57; A66	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
28. There are inconsistencies across financial reporting frameworks in the commencement of the twelve-month period for the going concern assessment. This has resulted in reconsideration of whether the twelve-month period over which the going concern assessment is made should commence on the date of approval of the financial statements (or the date of the auditor’s report) instead of the date of the financial statements. Stakeholders also noted that in considering the period of assessment, the requirements of the applicable financial reporting framework need to be taken into account.	Paras. 21–23; 29 Paras. A50–A57; A66	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

<sup>7</sup> ISA 570 (Revised), *Going Concern*



Public Interest Issue	Paragraph Addressing the PII in ISA 570 (Revised 2024)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
<b>Information from Sources External to the Entity</b>			
29. There was a call to consider when auditors may leverage information from sources external to the entity to assist them when evaluating whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.	Para. 26–28 Paras. A17; A28; A59–A65	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
30. It is unclear when it is appropriate to use information from a third-party when obtaining evidence of financial support.	Para. 28 Paras. A63–A65	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
<b>Terminology</b>			
31. Certain terminology associated with going concern, such as “Material Uncertainty Related to Going Concern” and “significant doubt” is inconsistently understood and may therefore have varying interpretations. Certain stakeholders noted that some financial reporting frameworks may define these terms differently.	Paras. 10; A5–A6	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
<b>Audit Techniques – Use of Technology</b>			
32. There is a call to consider modernizing ISA 570 (Revised) for how new and evolving technologies, and current practice, impact the auditor's work related to going concern.	Paras. A7; A13; A42; A46	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
<b>Management's Assessment of Going Concern</b>			
33. ISA 570 (Revised) does not reflect the more robust concepts in ISA 540 (Revised) <sup>8</sup> when designing and performing audit procedures	Paras. 16–17; 19; 24–25; 39–	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the	

<sup>8</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Public Interest Issue	Paragraph Addressing the PII in ISA 570 (Revised 2024)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
related to management’s assessment of going concern. Embedding some of those concepts in ISA 570 (Revised) will assist the auditor by strengthening the audit procedures related to the evaluation of management’s assessment of going concern, for example, in relation to the significant assumptions and data used in management’s assessment of going concern.	40; 44  Paras. A33–A36; A38–A46; A58; A97	March 2026 IAASB meeting.	
Professional Skepticism			
34. The exercise of professional skepticism needs to be reinforced as it relates to the auditor’s considerations about the appropriateness of management’s use of the going concern basis of accounting, management’s assessment of going concern, and maintaining professional skepticism when gathering audit evidence, questioning judgments made and assumptions used, and developing conclusions.	Para. 18; Paras. A11; A37;	Yes	Part 1
	Para. 30 Paras A68–A71	These aspects of the PII are expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
Transparency About the Auditor’s Responsibilities and Work Related to Going Concern			
35. The communication with those charged with governance on going concern may not be sufficiently robust, including that such communication may not always occur on a timely basis throughout the audit.	Paras. 12(f); 41–42  Paras. A21–A22; A98–A101	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
36. Where issues related to going concern are identified by the auditor, there is a need to clarify the auditor's responsibilities for additional communications with external parties, including with relevant regulatory authorities (as applicable).	Para. 43 Paras. A102–A105	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

Public Interest Issue	Paragraph Addressing the PII in ISA 570 (Revised 2024)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
37. The auditor's report may not be sufficiently transparent with respect to the auditor's responsibilities and work related to going concern.	Paras. 32–38 Paras. A73–A96 Appendix	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	
38. There is confusion about the "Material Uncertainty Related to Going Concern" section in the auditor's report and its relationship with key audit matter (KAM) and emphasis of matter (EOM) paragraphs where there are going concern issues, including with respect to "close calls".	Paras. 32–38 Paras. A73–A Appendix	These aspects of the PII are expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

**Table C: Public Interest Issues (PIIs) included in the Project Proposal for the Narrow Scope Amendments Related to the Definitions of Listed Entity and PIE**

Public Interest Issue (PII)	Paragraph Addressing the PII in the Narrow Scope Amendments	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
39. Increased complexity and inconsistent application and understanding when concepts across the IAASB and IESBA	Paras. 9A–9B, 13(l)B and	Yes – The revisions addressing this PII included	Part A

Public Interest Issue (PII)	Paragraph Addressing the PII in the Narrow Scope Amendments	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
standards differ, including when there is misalignment in the types of entities to which differential requirements apply.	A13A–A13E of ISA 200 <sup>9</sup>	replacing the definition of “listed entity” with the definition of “publicly traded entity”. The Project Team is of the view that the definition of publicly traded entity should be adopted in the ISA for LCE.	
<p>40. When developing or revising the ISQMs and ISAs, the need for a more robust and consistent approach as to when differential requirements for certain entities are appropriate. In particular, when setting differential requirements for certain entities, considering:</p> <ul style="list-style-type: none"> <li>(a) The need to maintain the relevance, robustness, proportionality and scalability of the ISQMs and ISAs.</li> <li>(b) Increased complexity if there are too many differential requirements for certain entities.</li> <li>(c) The heightened expectations of stakeholders regarding the performance of audit engagements for certain entities.</li> </ul>	<p>Paras. 9A–9B and A13A–A13E of ISA 200</p> <p>Paras. 18, 18A of ISA 260 (Revised)<sup>10</sup></p> <p>Paras. 34(b), 35(b) of ISA 570 (Revised 2024)</p> <p>Paras. 30–31, 40(b)–(c), 46, 50(I) of ISA 700 (Revised)<sup>11</sup></p> <p>Para. 5 of ISA</p>	No – The ISA for LCE does not include any requirements relevant to listed entities, or more broadly, differential requirements for certain entities.	N/A

<sup>9</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>10</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>11</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

Public Interest Issue (PII)	Paragraph Addressing the PII in the Narrow Scope Amendments	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
	701 <sup>12</sup> Paras. 21–22(b) of ISA 720 (Revised) <sup>13</sup>		

**Table D: Public Interest Issues (PIIs) included in the Project Proposal for the Narrow Scope Amendments Arising from the IESBA's Using the Work of an External Expert Project**

Public Interest Issue (PII)	Paragraph Addressing the PII in the Narrow Scope Amendments	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale <sup>3</sup>	Part in the ISA for LCE in which the PII will be addressed
41. The requirements and related application material in the IAASB standards may not be consistent with the revised IESBA Code regarding using the work of an external expert.	Paras. 8, 9A, A13A, A16A, A18A, A19A, A19B, A24 and Appendix of ISA 620 <sup>14</sup>	This PII is expected to be addressed in Parts of the ISA for LCE that will be discussed at the March 2026 IAASB meeting.	

<sup>12</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

<sup>13</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>14</sup> ISA 620, *Using the Work of an Auditor's Expert*