

Agenda Item

6-B.7

Maintenance of the ISA for LCE¹ – Drafting Rationale

This agenda item sets out the revisions made in the International Standards on Auditing (ISAs) that are in-scope for the ISA for LCE maintenance project in **Part 10 and Appendices** and the Project Team's views and recommendations to align, in a proportionate way, the proposed drafting for revisions to the ISA for LCE (herein referred to as proposed ISA for LCE (Revised)) with the ISAs. This agenda item must be read together with **Agenda Items 6, 6-A and 6-C**.

Part 10, Audits of Group Financial Statements

Changes Not Directly Linked to Public Interest Issues

Paragraph 10.7.1(b)

- The Project Team noted that paragraph 10.7.1(b) is based on paragraph 57(d) of ISA 600 (Revised).² Therefore, the Project Team proposes to make changes to align paragraph 10.7.1(b) with paragraph 57(d) of ISA 600 (Revised).

Not Addressed in the proposed ISA for LCE (Revised)

- The Project Team noted conforming and consequential amendments were made to paragraphs 45, 55 and 59(g) of ISA 600 (Revised) as a result of the revisions of ISA 240 (Revised).³ Given that these paragraphs were not deemed relevant for the typical nature and circumstances of an audit of an LCE in developing the standard, no changes have been made to the proposed ISA for LCE (Revised).
- The Project Team noted that paragraph 44A of ISA 600 (Revised) is a new paragraph due to conforming and consequential amendments. The Project Team is of view that this paragraph is sufficiently addressed in Part 7.

¹ International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE)

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

³ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Appendices

Revisions to the ISAs	Project Team’s Views and Recommendations for the Proposed ISA for LCE (Revised)
ISA 570 (Revised 2024)⁴	
31. 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.	
<p><i>Paragraphs 10 and A5–A6</i></p> <ul style="list-style-type: none"> Defined ‘Material Uncertainty (Related to Going Concern)’ that encapsulates an explanation for the phrase ‘may cast significant doubt,’ with supporting application material. 	<p><i>Glossary of Terms</i></p> <ul style="list-style-type: none"> The Project Team proposes to include the definition of ‘Material Uncertainty (Related to Going Concern)’ in the glossary of terms in Appendix 1 of the proposed ISA for LCE (Revised). The Project Team is of the view that paragraph A6 of ISA 570 (Revised 2024) is deemed essential for a proper understanding of the definition of ‘Material Uncertainty (Related to Going Concern)’. See Agenda Item 6-B.5 for further details.

Changes Not Directly Linked to Public Interest Issues
<p><i>Appendix 1, Glossary of Terms</i></p> <ul style="list-style-type: none"> The Project Team reviewed all the changes made to the definitions in the ISAs as a result for the projects in scope for this maintenance project and aligned the wording in the proposed ISA for LCE (Revised). The project team made changes to the definition of ‘Fraud risk factors’.

⁴ ISA 570 (Revised 2024), *Going Concern*

Changes Not Directly Linked to Public Interest Issues
<p><i>Appendix 2, Illustrative Engagement Letter</i></p> <ul style="list-style-type: none"> The Project Team noted that a conforming or consequential amendment was made to Appendix 1 of ISA 210.⁵ Appendix 2 of the proposed ISA for LCE (Revised) is based on Appendix 1 of ISA 210 and therefore the Project Team proposes to make changes to Appendix 2 of the proposed ISA for LCE (Revised) to align with Appendix 1 of ISA 210.
<p><i>Appendix 4, Fraud Risk Factors</i></p> <ul style="list-style-type: none"> The Project Team noted that changes were made to Appendix 1 of ISA 240.⁶ Appendix 4 of the proposed ISA for LCE (Revised) is based on Appendix 1 of ISA 240 and therefore the Project Team proposes to make changes to Appendix 4 of the proposed ISA for LCE (Revised) to align with Appendix 1 of ISA 240. In doing so, the Project Team proposes to only include the examples that are relevant and deemed useful to audits of LCEs.
<p><i>Appendix 4A, Events or Conditions that May Cast Significant Doubt on the Entity's Ability to Continue as a Going Concern</i></p> <ul style="list-style-type: none"> See Agenda Item 6, paragraphs 59 and 60.
<p><i>Appendix 7, Illustrative Representation Letter</i></p> <ul style="list-style-type: none"> The Project Team noted that a conforming or consequential amendment was made to Appendix 2 of ISA 580.⁷ Appendix 7 of the proposed ISA for LCE (Revised) is based on Appendix 2 of ISA 580 and therefore the Project Team proposes to make changes to Appendix 7 of the proposed ISA for LCE (Revised) to align with Appendix 2 of ISA 580.

⁵ ISA 210, *Agreeing the Terms of Audit Engagements*

⁶ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁷ ISA 580, *Written Representation*