

Maintenance of the ISA for LCE¹ – Issues Paper

Objective of the IAASB Discussion

The objective of the IAASB discussion is to approve the exposure draft of proposed revisions to the ISA for LCE (proposed ISA for LCE (Revised)), as set out in **Agenda Item 3–B**.

Request for Board Comments in Advance of the Meeting

Board members are requested to communicate any significant matters to the ISA for LCE Project Team (the Project Team) by June 11, 2026. This request is intended to assist the Project Team in planning for the turnaround of the exposure draft during the June 2026 IAASB meeting. All significant matters should still be raised and discussed in the Board plenary session to ensure that such matters are on public record.

Approach to the Board Discussion

The Project Team will walk through the draft of proposed ISA for LCE (Revised)ⁱ presented in **Agenda Item 3–B** seeking comments on the requirements and Essential Explanatory Material (EEM), in the order set out in **Appendix 2** of this paper.

Introduction

- At the March 2026 IAASB meeting, the Project Team presented its views, recommendations and the first full draft of the proposed ISA for LCE (Revised). The IAASB's decisions, directions and other substantial matters raised are included in the draft March 2026 IAASB meeting minutes (see **Agenda Item 1** of the June 2026 IAASB meeting).

Materials Presented

- This paper sets out the following:
 - Section I:** Stakeholder outreach;
 - Section II:** Key areas of discussion;
 - Section III:** Other changes; and
 - Section IV:** Due process matters.
- This agenda item includes the following appendices and other agenda items:

<i>Appendices</i>	
Appendix 1	Project Team members and activities

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

Appendix 2	Approach for the walkthrough of Agenda Items 3–B
Appendix 3	Meeting highlights ISA for LCE Advisory Group Meeting
Appendix 4	Input from outreach activities
Appendix 5	Mapping public interest issues of the ISAs revisions to key revisions proposed to the ISA for LCE
<i>Agenda Items</i>	
Agenda Item 3–A	Explanation of Significant Changes
Agenda Item 3–B	Proposed ISA for LCE (Revised) (Marked from extant)
Agenda Item 3–C	(Supplemental) Full Standard Including Proposed Revisions (Marked from extant)

Coordination Activities

IESBA

- In February 2026, the Project Team shared the March 2026 IAASB meeting papers with staff of the International Ethics Standards Board (IESBA). In addition, in May 2026, the Project Team shared an updated draft of the proposed ISA for LCE (Revised), with IESBA staff. IESBA staff did not identify any issues or concerns with the proposed changes to the ISA for LCE.

IAASB Consultation Groups

Technology Consultation Group

- In March 2026, staff of the Technology Consultation Group and the Project Team discussed whether the proposed ISA for LCE (Revised) appropriately reflects the revisions made to ISA 240² and ISA 570 (Revised)³ related to technology. Staff of the Technology Consultation Group provided several suggestions on how the standard could be further enhanced as it relates to technology and the Project Team incorporated the changes as appropriate – see **Agenda Item 3-A** for changes made as a result of the suggestions received.

Professional Skepticism Consultation Group

- In April 2026, staff of the Professional Skepticism Consultation Group and the Project Team discussed whether the proposed ISA for LCE (Revised) appropriately reflects the revisions made to ISA 240 and ISA 570 (Revised) related to professional skepticism. The related materials were also shared with members of the Professional Skepticism Consultation Group. Based on this, several suggestions were received on how the standard could be further enhanced as it relates to professional skepticism and the

² International Standards on Auditing (ISA) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

³ ISA 570 (Revised), *Going Concern*

Project Team incorporated the changes as appropriate – see **Agenda Item 3-A** for changes made as a result of the suggestions received.

Section I: Stakeholder Outreach

7. Following the March 2026 IAASB meeting, the Project Team undertook outreach with stakeholders to obtain feedback on the proposed ISA for LCE (Revised), including whether the proposed revisions are relevant and proportionate to the typical nature and circumstances of less complex entities (LCEs).
8. As the ISA for LCE has been developed to reflect the nature and circumstances of audits of financial statements of LCEs, the Project Team considered it critical to hear more prominently from stakeholders that use the ISA for LCE or from auditors of LCEs generally. Stakeholders with whom the Project Team undertook outreach included: ⁴
 - (a) Association of Chartered Certified Accountants (ACCA);
 - (b) European Federation of Accountants and Auditors for SMEs (EFAA);
 - (c) Group of Latin American Accounting Standard Setters (GLASS); and
 - (d) International Federation of Accountants' (IFAC) International Standards Community of Practice (CoP) and Small and Medium Practices Advisory Group (SMPAG).⁵

Appendix 1 includes a full list of the outreach performed.

9. In addition, the inaugural meeting of the [ISA for LCE Advisory Group](#) was held in April 2026. The ISA for LCE Advisory Group was established to advise on the proposed ISA for LCE (Revised) as well as matters relating to adoption and implementation of the standard and to serve as a consultative forum for the IAASB to obtain timely and relevant stakeholder input. The ISA for LCE Advisory Group comprises 11 members representing a range of stakeholders, including practitioners, jurisdictional standard setters, software providers and academics, drawn from various geographical regions to support global representation.
10. Meeting highlights of the meeting with the ISA for LCE Advisory Group are included in **Appendix 3** and feedback from the outreach undertaken is summarized in **Appendix 4**. Where appropriate, the Project Team incorporated in **Agenda Item 3-B** changes as a result of the suggestions received.
11. Through the stakeholder outreach and meeting with the ISA for LCE Advisory Group, two areas emerged where stakeholders were of the view that the standard was not proportionate to the typical nature and circumstances of LCEs:
 - (a) Presumption of risks of material misstatements (ROMMs) due to fraud in revenue recognition; and
 - (b) Evaluating management's assessment of going concern.

These matters are explained in more detail in **Section II** below.

⁴ The Project Team also reached out to the Edinburgh Group. Given the overlap of members between IFAC's International Standards CoP and SMPAG it was decided that members of the Edinburgh Group would join the meeting with IFAC's International Standards CoP and SMPAG.

⁵ The Project Team met two times with IFAC's International Standards CoP and SMPAG. See **Appendix 1** for details.

Section II: Key Areas of Discussion

12. This section sets out the Project Team's views and recommendations on specific matters that emerged from stakeholder outreach and meeting with the ISA for LCE Advisory Group as highlighted in paragraph 11. The rationale for other changes is explained in **Agenda Item 3–A**.

Presumption of Risks of Material Misstatements Due to Fraud in Revenue Recognition

What We Heard

13. In [Agenda Item 6](#) of the March 2026 IAASB meeting, the Project Team proposed:
- (a) Aligning the requirement in paragraph 6.4.2 of the ISA for LCE to the equivalent requirement in ISA 240 (Revised)⁶ (paragraph 41). This includes changing the work effort verb from “evaluate” to “determine” and requiring the auditor to take into account related fraud risk factors when determining which types of revenue, revenue transactions or relevant assertions give rise to a ROMM due to fraud.
 - (b) Not including the guidance from paragraph A122 of ISA 240 (Revised).⁷ The Project Team was of the view that adding this guidance would not be proportionate to the typical nature and circumstances of an audit of an LCE.
 - (c) Added guidance from paragraph A123 in ISA 240 (Revised) that clarifies that there are limited circumstances where it may be appropriate to rebut the presumption that there are ROMMs due to fraud in revenue recognition.
14. At the March IAASB meeting, the Board generally agreed with the Project Team's proposals as it relates to the matters set out in paragraph 13(a) and (c).
15. Regarding not including the guidance from paragraph A122 of ISA 240 (Revised) (see paragraph 13(b)), some Board members were of the view that this EEM should be added as it is also applicable to audits of LCEs. Views included that in LCEs there may be greater opportunities for management to commit fraud on revenue recognition given that in a typical LCE there is limited segregation of duties and a less stringent control environment, and it should not be easier in these audits to rebut the presumption of ROMM due to fraud in revenue recognition.
16. Stakeholders and the ISA for LCE Advisory Group, on balance, were of the view that ROMM due to fraud in revenue recognition do arise in audits of LCEs. Therefore, they were supportive of keeping the requirement in paragraph 6.4.2 of the ISA for LCE and aligning it to the equivalent requirement in ISA 240 (Revised) (see paragraph 13(a)). They also noted that the ROMM due to fraud may be higher in areas other than revenue recognition, for example, there may be greater opportunities for management to override controls given that in a typical LCE there is limited segregation of duties allowing a single individual to override controls.
17. On the other hand, stakeholders were generally of the view that the presumption of ROMMs due to fraud in revenue recognition is more likely to be rebutted in an audit of a LCE as the typical LCE is likely to have a single, simple or straightforward revenue stream. Therefore, they:

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

⁷ Paragraph A122 of ISA 240 (Revised) states that the significance of fraud risk factors related to revenue recognition, individually or in combination, ordinarily makes it inappropriate for the auditor to rebut the presumption that there are ROMMs due to fraud in revenue recognition.

- (a) Supported the Project Team’s proposal not to include the guidance from paragraph A122 of ISA 240 (Revised) (see paragraph 13(b)); and
 - (b) Suggested removing the term “limited” from the EEM under paragraph 6.4.2, as in a typical LCE the circumstances in which the presumption of ROMMs due to fraud in revenue recognition may be rebutted is not limited (see paragraph 13(c)).
18. In addition, a few members of the ISA for LCE Advisory Group reiterated a suggestion previously raised during discussions after the initial Exposure Draft of the extant ISA for LCE to replace the presumption about ROMM due to fraud in revenue recognition with a requirement for an active determination of potential fraud risks resulting from types of revenue, revenue transactions or relevant assertions (see paragraph 29 of [Agenda Item 6](#) of the March 2026 IAASB Meeting). They viewed that such a requirement may achieve a similar outcome to the ISA requirements when applied to audits of LCEs.

Project Team’s Views and Recommendations

Presumption of ROMM due to Fraud in Revenue Recognition

19. The Project Team considered the comments from the Board, stakeholder outreach and the ISA for LCE Advisory Group and proposes no further changes to paragraph 6.4.2, as, on balance, there was support for the presumption of ROMMs due to fraud in revenue recognition in audits of LCEs.

Guidance on the Rebuttal of the Presumption of ROMMs Due to Fraud in Revenue Recognition

20. Based on the mixed views from the Board, stakeholder outreach and the ISA for LCE Advisory Group, the Project Team had extensive discussion about the EEM under paragraph 6.4.2 relating to rebuttal of the presumption of ROMMs due to fraud in revenue recognition.
21. The Project Team considered the following matters in its discussions:
- (a) *The overall design principles of the ISA for LCE.* One of the overall design principles is focusing on the outcome the auditor is expected to achieve and states that the requirements in the ISA for LCE are expected to deliver a similar outcome as with the ISA requirements when applied to an audit of an LCE.
 - (b) *The key issues identified in the [project proposal](#) to revise ISA 240.* The Project Team noted that the application material in ISA 240 (Revised) relating to ROMMs due to fraud in revenue recognition (paragraphs A119–A125) was developed to address the following key issue: “It is not clear when it may, or may not, be appropriate to rebut the presumption of ROMMs due to fraud in revenue recognition, which has resulted in inconsistent application.”
 - (c) *The Authority of the standard.* The Project Team is of the view that in LCEs, revenue recognition is more likely to be simple and straightforward given the following qualitative characteristics as set out in the Authority (paragraph A.3):
 - (i) The entity’s business activities, business model, or the industry in which the entity operates, do not give rise to significant pervasive business risks.
 - (ii) The entity’s transactions result from few lines of business or revenue streams.
 - (iii) The entity’s financial statements ordinarily do not include accounting estimates that involve the use of methods, models, assumptions, or data, that are complex.

22. Given the above, the Project Team proposes the following:
- (a) Adding EEM that clarifies how ROMMs due to fraud may arise from revenue recognition in an LCE. The Project Team is of the view that highlighting how a ROMM would arise is useful to come to a consistent application of the requirement. The messaging of the EEM is based on paragraphs A119–A121 of ISA 240 (Revised) but has been adapted to the typical nature and circumstances of an LCE. The EEM also provides examples and links to Appendix 4 of the standard which sets out examples for fraud risk factors. See first paragraph of EEM under paragraph 6.4.2 in **Agenda Item 3–B**;
 - (b) Adding EEM that explains that determining whether fraud risk factors indicate a ROMM due to fraud is a matter of professional judgment. This EEM is based on the first sentence of paragraph A122 of ISA 240 (Revised) and was deemed important to add given that this is an important area where the auditor applies professional judgement. See second paragraph of EEM under paragraph 6.4.2 in **Agenda Item 3–B**.
 - (c) Enhancing the EEM that explains when it may be appropriate to rebut the presumption of fraud in revenue recognition. The enhancements are based on paragraph A123 of ISA 240 (Revised) and link back to the qualitative characteristics and the fraud risk factors identified. See third paragraph of EEM under paragraph 6.4.2 in **Agenda Item 3–B**.
 - (d) Deleting EEM that states that there may be limited circumstances where it may be appropriate to rebut the presumption that there are ROMMs due to fraud in revenue recognition. As noted above, the Project Team is of the view that revenue recognition in an LCE is more likely to be simple and straightforward. Because of this, the presumption of ROMMs due to fraud in revenue recognition is more likely to be rebutted by LCEs than under wide the range of entities (across the entire spectrum of smaller or less complex to larger and more complex entities, including the most complex entities and publicly traded entities) whose audits are performed under the ISAs.
23. In addition, the Project Team views that EEM that refers to “ordinarily makes it inappropriate” (as in the second sentence of paragraph A122 of ISA 240 (Revised)) will not be proportionate for the population of entities whose audits are within the scope of the ISA for LCE, while recognizing that the auditor still needs to make an appropriate determination based the entity’s types of revenue, revenue transactions, or relevant assertions and the fraud risk factors that are present in the circumstances (see paragraph 22 (a) and (c)).
24. Based on these proposals, the Project Team is of the view that the requirement (and related EEM) on the presumed ROMMs due to fraud in revenue recognition is expected to deliver a similar outcome as with the ISA requirements when applied to an audit of an LCE. The Project Team is also of the view that the enhanced EEM will be clearer in highlighting to auditors the matters that ought to be considered about when it may, or may not, be appropriate to rebut the presumption of ROMMs due to fraud in revenue recognition.

Matters for IAASB Consideration:

1. The Board is asked for its views on the Project Team’s views and recommendations regarding the presumption of ROMMs due to fraud in revenue recognition as explained above.

Evaluating Management's Assessment of Going Concern

What We Heard

25. At the March IAASB meeting, the Project Team proposed several changes to Part 7 as a result of the revision of ISA 570 (Revised). The Project Team's proposals included:
 - (a) Generally, aligning the requirements in the Going Concern section in Part 7.4 with the requirements in ISA 570 (Revised 2024).⁸ See [Agenda Item 6-B.4](#) of the March 2026 IAASB meeting for more details. An area where the Project Team did not align the ISA for LCE with the requirements in ISA 570 (Revised 2024) relates to testing the method, significant assumptions and data for management's going concern assessment (paragraphs 19 and 27 of ISA 570 (Revised 2024)). Instead of adding these requirements, the Project Team was of the view that management's assessment would generally not be complex and that EEM would be sufficient.
 - (b) Changing the commencement date of the twelve-month period of management's assessment, which is used as the basis for the auditor's evaluation, from the date of the financial statements to the date of approval of the financial statements. This is aligned with the approach taken in ISA 570 (Revised 2024).
26. The Board broadly agreed with the Project Team's revisions to Part 7 and suggested to add EEM in Part 7 that the date of approval of the financial statements is the date on which those with the recognized authority determine that all the statements that comprise the financial statements have been prepared and that they have asserted taking responsibility for those financial statements. The Board noted that such EEM provides auditors with essential guidance on what is meant by the date of approval of the financial statements.
27. Stakeholders and the ISA for LCE Advisory Group noted that the proposed Going Concern section in Part 7.4 is not proportionate to the typical nature and circumstances of LCEs and therefore had several suggestions on how to enhance this section. For example, it was noted that:
 - (a) In an LCE, management is unlikely to perform a formal going concern assessment and issues are more likely to be identified when reviewing the financial statements as part of designing and performing procedures for identifying and assessing ROMM and making inquiries and having discussions with management about the entity's ability to continue as a going concern.
 - (b) The section is overly detailed given the typical nature and circumstances of an LCE, thereby driving increased documentation. Stakeholders and the ISA for LCE Advisory Group preferred an approach that is tailored to the typical nature and circumstances of an audit of an LCE, including stronger linkage between the inquiries in Part 6 and Part 7.4.
28. Stakeholders supported using EEM, rather than requirements, for procedures relating to testing the method, significant assumptions and data used in management's assessment of going concern.
29. Stakeholders and the ISA for LCE Advisory Group noted that the requirement for an assessment period of at least twelve months from the date of approval of the financial statements may require management to extend its assessment beyond that required by the applicable reporting framework, particularly for LCEs applying local Generally Accepted Accounting Principles. Some stakeholders

⁸ ISA 570 (Revised 2024), *Going Concern*

suggested not prescribing a minimum period and instead incorporating relevant considerations in EEM, or taking a risk-based approach where the period is extended only when concerns are identified. Others agreed with the requirement for an assessment period of at least twelve months from the date of approval of the financial statements but noted that management's assessment is often less formal (see paragraph 27).

Project Team's Views and Recommendations

30. The Project Team considered the comments from the Board, stakeholder outreach and the ISA for LCE Advisory Group and decided to specifically address:
- (a) The lack of a formal going concern assessment by management;
 - (b) The granularity of the Going Concern section; and
 - (c) The meaning of the term "date of approval of the financial statements."

The Lack of a Formal Going Concern Assessment by Management

31. The Project Team considered enhancements to the standard to reflect the lack of a formal assessment of the entity's ability to continue as a going concern by management. Especially, the Project Team considered the view expressed by some stakeholders that the requirements should place greater emphasis on inquiry and discussion. In doing so, the Project Team considered:
- (a) The project objectives of the project to revise ISA 570 (Revised). One of the project objectives was to strengthen the auditor's evaluation of management's assessment of a going concern.
 - (b) The guidance included in the application material in ISA 570 (Revised), including:
 - (i) Paragraph A35. This paragraph notes that, in some circumstances, a less extensive analysis by management to support its going concern assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances; and
 - (ii) Paragraphs A56. This paragraph notes that the level of detail and 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. It also notes that management may update its assessment from the date of the financial statements to the date of approval of the financial statements through less formal means.
32. In addition, the Project Team noted that:
- (a) The lack of a formal going concern assessment by management was also raised during the development of the ISA for LCE (see [Agenda Item 6](#), paragraph 48(b) of the March 2023 Board meeting); and
 - (b) The scope of the maintenance project is (as it relates to going concern) to consider the relevance to the ISA for LCE of the key issues identified in ISA 570 (Revised 2024) and how best to incorporate the results of the related standard-setting actions into the ISA for LCE.

33. In the draft of the proposed ISA for LCE (Revised) as presented to the IAASB in March 2026, the Project Team already proposed the following to address the lack of a formal going concern assessment by management:
- (a) Retaining the EEM under paragraph 7.4.1 in the extant ISA for LCE which explains how the auditor's evaluation may be satisfied when management has not prepared a detailed assessment. This EEM leverages the application material from paragraph A12 of ISA 570 (Revised) and was generally recognized as being appropriate and proportionate in reflecting the typical nature and circumstances of an LCE. The Project Team notes these circumstances remain the same, even after the finalization of ISA 570 (Revised 2024).
 - (b) Bringing in guidance based on paragraphs A35 and A56 of ISA 570 (Revised 2024) in the EEM. This EEM has been retained in **Agenda Item 3-B** but has been moved because the section was streamlined (see paragraphs 36).

In the March 2026 meeting, the Board agreed with these proposals.

34. In addition to the above, the Project Team proposes:
- (a) Keeping the proposals presented to the IAASB in March 2026 to address the lack of a formal going concern assessment by management (see paragraph 33).
 - (b) Not to limit the procedure to inquiry and discussion, as there may be circumstances where additional procedures are necessary. Also, this could be seen as weakening the ISA for LCE while the objective of the revision of ISA 570 (Revised) was to strengthen ISA 570 (Revised) as it relates to auditor's evaluation of management's going concern assessment.
 - (c) Not to add additional references to the formality of the assessment as that is not in scope of the project (see paragraph 32(b)).
35. In addition, the Project Team considered whether to make changes to the period of management's assessment of the entity's ability to continue as a going concern but decided not to do so because:
- (a) In the revision of ISA 570 (Revised) the period of management's going concern assessment was deemed to be a public interest issue. One of the key changes to address this public interest issue was to change the commencement date of the twelve-month period of management's going concern assessment from the date of the financial statements to the date of approval of the financial statements; and
 - (b) In many jurisdictions, the approval date of the financial statements of an LCE is often significantly later than the date of the financial statements, thereby making this public interest issue relevant for the typical nature and circumstances of an LCE.

The Granularity of the Going Concern Section

36. Upon reflection, the Project Team agreed with stakeholders' view that Part 7.4 related to going concern may not be fully proportionate for audits of LCEs and therefore proposes to streamline the requirements and enhance the flow. The Project Team proposes to:
- (a) Start with the requirement for the auditor to design and perform audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern (paragraph 7.4.1).

- (b) Then, if management has not performed an assessment of the entity's ability to continue as a going concern, have the auditor request management to make its assessment for at least twelve months from the date of approval of the financial statements (paragraph 7.4.0A, renumbered as paragraph 7.4.1A). This requirement also addresses the auditor's response if management is unwilling to make its assessment.
 - (c) Removing the requirement to request management to extend its assessment period to at least twelve months from the date of approval of the financial statements (paragraph 7.4.1C) and the requirement that addresses the auditor's response if management is unwilling to extend its assessment (paragraph 7.4.1D). The Project Team is of the view that these requirements are sufficiently covered by paragraphs 7.4.1 and 7.4.1A.
 - (d) Moving paragraph 7.4.2(b) (which requires the auditor to consider whether management's assessment includes all relevant information that the auditor is aware of) into paragraph 7.4.1. as these requirements can be addressed together.
37. The Project Team also proposes to present the requirements that apply if the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (paragraphs 7.4.2A, 7.4.4, 7.4.4A and the related EEM) in a box with a header indicating this. The Project Team is of the view that this will make the standard easier to navigate.
38. The Project Team considered applying the same approach throughout the standard by placing conditional requirements and related EEM in boxes indicating that they apply only when specified conditions exist. However, given the scope of the maintenance project, the Project Team decided to limit this approach to going concern and fraud. For fraud, a box was added covering paragraphs 7.4.27A to the EEM under paragraph 7.4.27B.

The Meaning of the Term "Date of Approval of the Financial Statements."

39. The Project Team decided not to add EEM based on paragraph A51 of ISA 570 (Revised 2024) as "date of approval of the financial statements" is defined term included in the Glossary of Terms.

Other Changes

40. In addition to changes to improve the readability, the Project Team also proposes the following changes to the Going Concern section in Part 7.4:
- (a) Deleting the footnote to the first sentence of paragraph 7.4.1, as the requirement to design and perform audit procedures to evaluate management's assessment does not directly affect the auditor's report; and
 - (b) Given the deletion of paragraph 7.4.1D, moving the footnote that highlights the effect on the auditor's report to paragraph 7.4.1A.

Matter for IAASB Consideration:

2. The Board is asked for its views on the Project Team's views and recommendations regarding going concern in Part 7.4 as explained above.

Section III: Other Changes

41. The rationale for changes other than the matters included in Section II is explained in **Agenda Item 3–A**.

Matter for IAASB Consideration:

3. The Board is asked for its views on the Project Team's proposed changes as explained in **Agenda Item 3–A** and reflected in **Agenda Item 3–B**. **Appendix 2** to this agenda item sets out the approach for the walkthrough of **Agenda Item 3–B**.

Section IV: Due Process Matters

Exposure Period

42. Subject to the Board's approval as planned at the June meeting, the project team expects that the IAASB will publish the exposure draft on July 22, 2026.
43. The Project Team notes that, according to the [IAASB's Due Process](#), the exposure period will ordinarily be no shorter than 90 days. Given that the standard is more relevant to smaller firms or organizations with limited resources, the Project Team considers that an exposure period of 120 days is appropriate to provide sufficient time for meaningful review and input.
44. Based on the publication date noted above, responses would be due on November 19, 2026. The Project Team would therefore intend to present the analysis of comments to the Board in March 2027. Depending on the nature and extent of comments received, Board approval of the final revised standard is targeted for June 2027.

Proposed Implementation Period

45. The Project Team proposes to include in the Explanatory Memorandum an implementation period of approximately 18 months after approval of proposed ISA for LCE (Revised) by the IAASB and 15 months after certification of proposed ISA for LCE (Revised) by the PIOB. The Project Team is of the view that this provides stakeholders with sufficient time to implement the standard, including adoption and translation by jurisdictions, and incorporating the changes into firm methodologies, enablement tools and training material.
46. The Project Team also notes that a targeted effective date of around December 2028 would be consistent with the Board's decision to allow for a period of stability of three years from the original effective date of the ISA for LCE (i.e., December 2025). In addition, the revised ISAs which provide the basis for this first maintenance of the ISA for LCE project (see [project proposal](#)) become effective two years earlier, in December 2026, and will provide adoption and implementation experience that can be leveraged for the proposed ISA or LCE (Revised).
47. A question will be asked in the Explanatory Memorandum about expected implementation efforts and the appropriateness of the proposed implementation period.

Consideration of Due Process

48. In the Project Team's view, the significant matters identified as a result of deliberations since the beginning of this project have been presented in the issues papers presented to the IAASB for discussion. The Project Team believes that there are no significant matters that have not been brought to the attention of the IAASB.
49. The Project Team does not believe that a public forum or roundtable, or issuing a consultation paper is needed at this stage, as the revisions to the ISA for LCE are limited to updates arising from revisions to the ISAs and are based on existing IAASB standards and guidance, informed by input from stakeholders familiar with audits of LCEs.
50. The Project Team proposes to highlight in the Explanatory Memorandum that the IAASB encourages field testing of (certain) proposals by practitioners who use the ISA for LCE and welcomes the sharing of the results of any field testing performed with the IAASB as part of stakeholders' responses to the Exposure Draft.

Matter for IAASB Consideration:

4. The Board is asked whether there are any other matters the Project Team should consider in respect to the matters described in this paper, including the due process matters set out in paragraphs 42 to 50.

Project Team Members and Activities

Project Team Members

1. The Project Team consists of the following members:
 - Jasper van den Hout; and
 - Kazuko Yoshimura.

Project Board Members

2. The IAASB Project Board Members are:
 - Hernán Casinelli; and
 - Greg Schollum.

Activities in the Period

3. During the second quarter of 2026, the Project Team met with the Project Board Members two times, virtually, and had ongoing communication with them.

Outreach

4. The project team participated in the following outreach events:

April 2026

- Meeting with members of the IFAC's International Standards CoP and SMPAG – By Videoconference (van den Hout, Yoshimura)
- Meeting with the IAASB ISA for LCE Advisory Group – By Videoconference (Seidenstein, Casinelli, Schollum, van den Hout, Yoshimura)
- Meeting with representatives of EFAA – By Videoconference (van den Hout, Yoshimura)
- Meeting with members of the GLASS – By Videoconference (Casinelli, van den Hout, Yoshimura)

May 2026

- Meeting with members of the ACCA – By Videoconference (van den Hout, Yoshimura)
- Meeting with members of the IFAC's International Standards CoP and SMPAG – By Videoconference (van den Hout, Yoshimura)

Appendix 2

Approach for the Walkthrough of Agenda Items 3–A

The table below shows the approach for the walkthrough of proposed ISA for LCE (Revised) as presented in **Agenda Item 3–B**.

Batch No.	Parts	Related Discussion in this Agenda Item
1	- Part A, <i>Authority of the ISA for Audits of Financial Statements of Less Complex Entities</i> - Part 1, <i>Fundamental Concepts, General Principles and Overarching Requirements</i> - Part 2, <i>Audit Evidence and Documentation</i> - Part 3, <i>Engagement Quality Management</i> - Part 5, <i>Planning</i>	-
2	Part 6, <i>Risk Identification and Assessment</i>	Section II
3	Part 7, <i>Responding to Assessed Risks of Material Misstatement</i>	Section II
4	- Part 8, <i>Concluding</i> - Part 9, <i>Forming an Opinion and Reporting</i> - Part 10, <i>Audits of Group Financial Statements</i> - Appendices	-

Appendix 3

Highlights from the ISA for LCE Advisory Group Meeting

1. The inaugural meeting of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) Advisory Group was held on April 8, 2026. The meeting was opened by Mr. Tom Seidenstein IAASB Chair. The ISA for LCE Advisory Group discussed the:
 - (a) Adoption and implementation of the ISA for LCE; and
 - (b) Proposed revisions to the ISA for LCE.

Adoption and Implementation of the ISA for LCE

2. IAASB staff shared with the ISA for LCE Advisory Group the adoption status as of February 2026 and asked members whether they were aware of any additional jurisdictions that have adopted the standard. Members of the ISA for LCE Advisory Group did not identify any additional jurisdictions.

Proposed Revisions to the ISA for LCE

General

3. Members of the ISA for LCE Advisory Group noted the following general matters on the maintenance of the ISA for LCE:
 - Earlier involvement of the ISA for LCE Advisory Group in the maintenance of the ISA for LCE was encouraged, preferably before proposals are presented to the Board. It was noted that, once proposals are presented to the Board, major changes become more difficult to make.
 - Consideration of the relevance to the ISA for LCE of public interest issues identified in the ISA project (in this case ISA 240 (Revised) and ISA 570 (Revised 2024)) should be undertaken carefully so that decisions do not primarily focus on proportionality.
 - A couple of different maintenance projects involving different ISAs may need to be undertaken before re-evaluating the [Approach for Maintaining the ISA for LCE](#).
 - There is a need to balance the number of maintenance activities with jurisdictions' capacity to implement the proposed changes into the ISA for LCE.
 - The proposed timeline for the completion of the first maintenance project of the ISA for LCE is appropriate and it is sensible not to undertake maintenance projects simultaneously with the revisions to the ISAs.
 - Caution was encouraged when adding educational material as this will increase the length of the standard.

Part 6

4. Members of the ISA for LCE Advisory Group noted the following regarding Part 6:
 - Support was expressed for the enhancements to the risk assessment as they provide a foundation for proportionate audit responses.
 - Some members expressed support for aligning the requirement addressing the presumption of risks of material misstatement due to fraud in revenue recognition (paragraph 6.4.2 of the

ISA for LCE) with the requirement in ISA 240 (Revised). Other members were of the view that requiring an active determination of whether potential fraud risks exist in revenue recognition is preferable to a rebuttable presumption.

- In audits of LCEs, there are often fewer opportunities for fraudulent financial reporting in revenue recognition, allowing the auditor to develop more targeted audit responses.
- Essential Explanatory Material (EEM) could explain that fraud risks in LCEs may differ from those in larger entities.

Part 7

5. Members of the ISA for LCE Advisory Group noted the following regarding Part 7:

Fraud

- The requirement to incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures was viewed as more onerous in the proposed ISA for LCE (Revised) than in the ISAs as it requires an element of unpredictability in a response to both risks of material misstatements due to fraud at both the financial statement and assertion levels.
- When testing journal entries and other adjustments throughout the period for management override of controls, it was suggested to change the work effort verb from “determine” to “consider” as “determine” may not be proportionate for typical LCEs. Typical LCEs are likely to have journal entries relevant to management override of controls at year-end, as they are unlikely to have interim financial reporting periods.

Going Concern

- In LCEs, management's assessment of going concern is often less formal and less documented than in more complex and larger entities.
- The proposed changes to the Going Concern section in Part 7.4 of the ISA for LCE were viewed as introducing additional steps and documentation requirements that may not be proportionate for audits of LCEs. In such audits, going concern issues are often identified through risk assessment procedures, including inquiries and discussions with management. A more risk-based approach is preferred, including a stronger linkage between the inquiries in Part 6 (risk assessment) and Part 7.4.
- The proposed change regarding the length of management's assessment period for the entity's ability to continue as a going concern may require management to extend its assessment period beyond that required by the applicable financial reporting framework. This may be more common for LCEs applying local generally accepted accounting principles. A suggestion was made not to prescribe a minimum assessment period and instead include relevant considerations in the EEM.
- If conditional requirements are to be grouped and highlighted, it was advised that this should be done where multiple requirements are subject to common conditions, rather than solely because they are conditional, so that auditors do not need to assess each requirement individually.

Summary of Input from Outreach Activities

The following summarizes the comments obtained through the outreach activities.

IFAC's International Standards CoP and SMPAG (April 7, 2026)

Introduction

1. IAASB Staff met with members of IFAC's International Standards CoP and SMPAG to discuss the proposed revisions to the ISA for LCE and specifically how the proposed ISA for LCE (Revised) addresses proportionality.

Key Insights from the Outreach

General

2. Members of the IFAC's International Standards CoP and SMPAG noted the following matters related to the maintenance approach:
 - It was noted that, in developing the proposed ISA for LCE (Revised), there was insufficient emphasis on whether the public interest issues, as included in the ISA projects in scope for the revision, are relevant to audits of LCEs.
 - It was questioned how the IAASB plans to assess the standard's proportionality in practice.
 - It was noted that, as a principle-based standard, changes to the ISAs may not necessarily require changes to the ISA for LCE.
3. It was noted limited familiarity with audits of LCEs among some Board members may contribute to increased complexity in the standard.
4. The relocation of paragraphs between different parts was generally not supported.

Presumption of ROMMs Due to Fraud in Revenue Recognition

5. Members of the IFAC's International Standards CoP and SMPAG noted the following regarding the presumption of ROMMs due to fraud in revenue recognition:
 - There were mixed views on whether the standard should include the presumption. Some members noted that ROMMs due to fraud in revenue recognition arise in audits of LCEs and that the standard should therefore include the presumption. Others noted that such risks are less likely to arise in audits of LCEs and that ROMMs due to fraud are more likely to occur in other areas, such as management override of controls.
 - Support was expressed for excluding the statement from paragraph A122 of ISA 240 (Revised) that the significance of fraud risk factors related to revenue recognition ordinarily makes it inappropriate for the auditor to rebut the presumption.

Going Concern in Part 7

6. Members of the IFAC's International Standards CoP and SMPAG noted the following regarding the Going Concern section in Part 7.4:
- In LCEs, management is unlikely to perform a formal assessment of the entity's ability to continue as a going concern and, given the risk profile of such entities, a formal assessment is often not necessary. Therefore, the standards should have a risk-based approach where inquiry alone may be sufficient.
 - The requirements in Part 7.4 were viewed as overly detailed and duplicative.
 - It was noted that evaluating management's going concern assessment for twelve months from the date of the financial statements (i.e., the assessment period in the extant ISA for LCE) may be more appropriate.

Other

7. Members of the IFAC's International Standards CoP and SMPAG noted the following on other matters in the standard:
- There were mixed views on whether to include Appendix 4A which includes examples of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some members were of the view that the appendix is valuable, while others preferred it to be included in EEM. In addition, some enhancements to appendix 4 were suggested.
 - It was questioned whether a dedicated Going Concern section in the auditor's report is necessary.

EFAA (April 14)

Introduction

8. IAASB Staff met with members of the EFAA to discuss the proposed revisions to the ISA for LCE and specifically how the proposed ISA for LCE (Revised) addresses proportionality.

Key Insights from the Outreach

General

9. Members of the EFAA noted the following general matters on the maintenance of the ISA for LCE:
- The proposed ISA for LCE has expanded as a result of the maintenance project, giving rise to a risk of further expansion over time. It was noted that matters could be addressed through the use of professional judgment.
 - Support was expressed for the relocation of paragraphs between Part 1 and Parts 6 or 7, as it improves the flow of the standard.

Presumption of ROMMs Due to Fraud in Revenue Recognition

10. Members of the EFAA noted the following regarding the presumption of ROMMs due to fraud in revenue recognition:

- The presumption is applicable in audits of LCEs. However, the auditor should be able to rebut the presumption where appropriate.
- It was suggested to remove the term “limited” from the EEM under paragraph 6.4.2.as, in a typical LCE, the circumstances in which the presumption of ROMMs due to fraud in revenue recognition may be rebutted is not limited.

Going Concern in Part 7

11. Members of the EFAA noted the following regarding the Going Concern section in Part 7.4:

- In LCEs, management’s assessment can be informal given management’s understanding of the business. Auditors should be allowed to evaluate management’s assessment by inquiry, review of supporting documentation and analytical procedures.
- The requirements in Part 7.4 were viewed as overly detailed and duplicative. It was noted that, in practice, the evaluation of management’s assessment is often performed in a single step.

Other

12. Members of the EFAA noted the following on other matters in the standard:

- There should be professional judgment allowed in determining whether to include a Going Concern section in the auditor’s report.
- The documentation requirements should be proportionate.

GLASS

Introduction

13. IAASB Staff and a PBM member met on April 20 with members of GLASS to discuss the proposed revisions to the ISA for LCE and specifically how the proposed ISA for LCE (Revised) addresses proportionality.

Key Insights from the Outreach

Fraud

14. GLASS members noted the following with respect to the revisions driven by ISA 240 (Revised):

- The presumption of ROMM due to fraud in revenue recognition should remain in the ISA for LCE.
- In a typical LCE, there may be account balances, classes of transactions or disclosures other than revenue recognition for which the ROMMs due to fraud are higher.
- It was suggested to:
 - Include examples of circumstances in which the presumption of ROMM due to fraud in revenue recognition may be rebutted. This would avoid exhaustive documentation of why the presumption was rebutted and avoids making audits of LCEs unnecessarily burdensome.
 - Present management’s responsibilities before the auditor’s responsibilities so as not to imply that auditors bear responsibilities that rest with management.

Going Concern in Part 7

15. GLASS members noted the following with respect to the revisions driven by ISA 570 (Revised 2024):

- LCE's ability to continue as going concern may be influenced by matters such as a lack of corporate governance, formal structure or long-term sustainability.
- Assessing an entity's ability to continue as a going concern can be particularly challenging for LCEs, especially when the entity relies on the decisions of a single individual.

Other

16. In addition, GLASS members noted the following views:

- Technology is becoming an increasingly integral part of the audit, both through the entity's use of technology and the firm's use of technology.
- The ISA for LCE does not clearly describe how to transition from the ISA for LCE to another standard.

ACCA (May 13)

Introduction

17. IAASB Staff met with members of ACCA to discuss the proposed revisions to the ISA for LCE focusing on the presumption of ROMMs due to fraud in revenue recognition and the Going Concern section in Part 7.4.

Key Insights from the Outreach

Presumption of ROMMs Due to Fraud in Revenue Recognition

18. Members of the ACCA noted the following regarding the presumptions of ROMMs due to fraud in revenue recognition:

- Support was expressed to align the existing requirement with the equivalent requirement in ISA 240 (Revised).
- There were mixed views on whether to include the statement from paragraph A122 of ISA 240 (Revised) that the significance of fraud risk factors related to revenue recognition ordinarily makes it inappropriate for the auditor to rebut the presumption. Members who supported including the statement in the EEM also suggested adding examples of when rebutting the presumption could be justified.
- It was suggested to remove the term "limited" from the EEM under paragraph 6.4.2 as, in a typical LCE, the circumstances in which the presumption of ROMMs due to fraud in revenue recognition may be rebutted are not limited. In that regard, it was noted that:
 - The term "limited" might have unintended consequences by creating a mindset that rebutting the presumption would be difficult, even when it is appropriate in the circumstances.
 - It is more likely that there may not be ROMMs due to fraud in revenue recognition in LCEs than in larger entities as the incentives to manipulate revenue may be lower.

- ROMMs due to fraud are more likely to occur in other areas, such as management override of controls or the misappropriation of assets.
- It was suggested that the documentation requirements be more explicit about what should be documented.

Going Concern in Part 7

19. Members of the ACCA noted the following regarding going concern:

- Support was expressed for aligning management's assessment period with the period in ISA 570 (Revised 2024) (i.e., at least twelve months from the date of approval of the financial statements).
- Support was expressed for addressing, in the EEM, the different ways in which management's assessment may be evaluated.
- It was suggested that practical examples could be provided of what may be acceptable as audit evidence when evaluating management's assessment.
- It was noted that Part 7.4 is very detailed and could be enhanced by adopting a more risk-based approach, with more detailed work required when events or conditions are identified.

IFAC's International Standards CoP and SMPAG (May 19)

Introduction

20. IAASB Staff updated members of IFAC's International Standards CoP and SMPAG on the proposed revisions since the initial meeting on April 7. On May 19, IAASB Staff met with members of IFAC's International Standards CoP and SMPAG, as well as members of the Edinburgh Group, to discuss an updated version of the proposed ISA for LCE (Revised).

Key Insights from the Outreach

Presumption of ROMMs Due to Fraud in Revenue Recognition

21. Members of IFAC's International Standards CoP and SMPAG, together with the members of the Edinburgh Group, noted the following regarding the presumption of ROMM due to fraud in revenue recognition:

- Given the typical nature and circumstances of an LCEs, their revenue streams are generally straight forward, highly predictable and highly verifiable. Accordingly, it is more likely that there may not be ROMMs due to fraud in revenue recognition, whereas the risk relating to management override of controls may be greater.
- The ISA for LCE should remain aligned with the core principles of the ISAs. At the same time, it was noted that the ISAs appear to be moving away from traditional presumptions toward a more risk-based approach (e.g., the proposal to remove paragraph 18 of ISA 330).⁹

22. In response to a question raised by IAASB Staff regarding the incremental work effort associated with a ROMM due to fraud in revenue recognition (i.e., when the presumption is not rebutted), the

⁹ ISA 330, *The Auditor's Responses to Assessed Risks*

members noted that the additional work effort would be extensive because the matter would be treated as a significant risk. In particular, as auditors of LCEs are less likely to be able to rely on the entities' internal controls, the extent of substantive testing increases significantly.

Going Concern in Part 7

23. Members of IFAC's International Standards CoP and SMPAG, together with the members of the Edinburgh Group, noted the following regarding going concern in Part 7:
- It was noted that the updated Going Concern section in Part 7.4 is significantly improved. Several suggestions were made to further enhance the EEM, including clarifying what supporting documents may be appropriate when evaluating management's assessment.
 - It was noted that the going concern assessment creates a false sense of security, given that neither management nor the auditor can predict the future.

Appendix 5

Mapping Public Interest Issues of the ISAs Revisions to Key Revisions Proposed to the ISA for LCE

This table in this appendix maps public interest issues (PII) included in the project proposal of the ISA projects which are in scope of this maintenance of the ISA for LCE project to the key revisions proposed to the ISA for LCE.

1. The column “Key Revisions Proposed” describes the proposed standard-setting actions in proposed ISA for LCE (Revised), which are designed to achieve the following qualitative standard-setting characteristics (identified as being of most relevance in the project proposal):
 - (a) Consistency
 - (b) Scope
 - (c) Proportionality
 - (d) Relevance
 - (e) Clarity and conciseness
 - (f) Implementability and ability of being consistently applied and globally operable
2. Because these characteristics apply to the ISA for LCE (Revised) as a whole, rather than to any individual part or requirement(s), they were taken into account in applying the Board's [Approach for Maintaining the ISA for LCE](#) as an overall stand-back whether the proposed revisions result in a revised standard that continues to exhibit these characteristics. Accordingly, the characteristics have not been mapped individually to individual proposed revisions.

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)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
Roles and Responsibilities of the Auditor on Fraud in an Audit of Financial Statements		
1. The introductory paragraphs in ISA 240 explaining the inherent limitations of an audit can be misleading and result in misunderstanding of the auditor's obligations.	Yes	In the EEM under paragraph 1.5. the descriptions about inherent limitations of the audit and the auditor's responsibilities are decoupled. The EEM also reinforces that the inherent limitations of an audit are not a justification for the auditor to be satisfied with less than persuasive audit evidence.
2. A need has been expressed to clarify and emphasize the auditor's responsibilities regarding fraud in an audit of financial statements.	Yes	The auditor's responsibilities are presented before those of management and TCWG in order to emphasize the auditor's responsibilities (Requirement and EEM related to paragraph 1.5.1).
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.	Yes	Clarified in the EEM under Part 1.5 how concepts such as bribery and corruption, and money laundering, relate to the definition of fraud for purpose of an audit of financial statements.

¹⁰ Unless otherwise stated, if answered yes, the Project Team is of the view that the extant ISA for LCE contains requirements and EEM based on the ISAs requirements that gave rise to this PII. Therefore, the same issue could arise for audit engagements in which the proposed ISA for LCE (Revised) is applied.

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
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.	Yes	Added EEM under paragraph 7.4.27B describing what forensic skills are and explaining that such skills may be needed when fraud or suspected fraud is identified.
Identifying and Assessing Risks of Material Misstatement Due to Fraud		
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) ¹¹ have not been reflected in ISA 240).	Partly The IAASB considered the enhancements made to ISA 240 (Revised) relating to the internal audit function and whistleblower programs not to be relevant, given the typical nature and circumstances of an LCE. In addition, the EEM in Part A states that the ISA for LCE does not include requirements addressing circumstances in which	- The requirement relating to retrospective review (paragraph 6.2.4A) was moved from Part 7 to Part 6 to better reflect the nature of the procedure. - The part of paragraph 1.5.1(a) relating to evaluating fraud risk factors was moved to paragraph 6.3.15 to make the flow of the standard more intuitive. - Guidance was added in EEM under Part 6.3 explaining that understanding relevant aspects of the entity assists the auditor in identifying fraud risk factors. - EEM relating to fraud risk factors was added throughout Part 6 (including under paragraphs 6.2.4, 6.3.15 and 6.4.1.) to emphasize what fraud risk factors are and how fraud risk factors relate to and influence the identification of ROMMs due to fraud.

¹¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
	the auditor intends to use the work of internal auditors, as this would ordinarily not be applicable to an audit of an LCE.	
6. The engagement team discussion is not sufficiently robust with respect to the auditor's considerations of fraud throughout the audit.	Yes	The EEM under paragraph 5.2.7 was enhanced by including topics that may be discussed when discussing how and where the entity's financial statements may be susceptible to material misstatement due to fraud.
Responses to the Assessed Risks of Material Misstatement due to Fraud		
7. The auditor's responses to the assessed risks of material misstatement due to fraud should be more robust.	Partly The IAASB considered the reference to complex transactions in paragraph 45 of ISA 240 (Revised) not to be relevant to the ISA for LCE. This is consistent with Part A of the ISA for LCE, which indicates that, in an LCE, few accounts or disclosures in the entity's financial statements necessitate the use of significant management judgment	- The procedures for the auditor to address management override of control were enhanced (see paragraph 7.4.6). For example, new requirements and EEM were added about: - Obtaining audit evidence about the completeness of the population of journal entries; and - Considering the audit evidence obtained from the retrospective review performed.

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
	in applying the requirements of the financial reporting framework.	
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).	Yes	- Enhanced the requirement by adding that the auditor shall obtain written representations from management and, where appropriate, TCWG, about whether they have appropriately fulfilled their responsibilities for the design, implementation and maintenance of internal control to prevent or detect fraud (see paragraph 8.6.1(d)(i)). - No revisions to the EEM in Part 8.6 are proposed, since the extant EEM already adequately clarifies that written representations do not affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management's responsibilities or about specific assertions.
Use of Technology		
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. 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.	Yes	- EEM was added to: - Paragraph 6.3.8 to provide guidance on the use of technology by the entity to commit fraud; and - Paragraph 8.3.1 to provide an example of how Automated Tools and Techniques (ATT) may be used to determine previously unrecognized ROMM due to fraud.

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
Relationship Between and Linkage of ISA 240 With Respect to ISA 250 (Revised)¹² and the Other ISAs		
11. The relationship between ISA 240 and ISA 250 (Revised) is unclear, i.e., more clarity is needed if a fraud is identified or suspected, whether the auditor is performing procedures to comply with ISA 240 or ISA 250 (Revised).	Yes	Added EEM under Part 1.5. explaining the auditor's responsibilities relating non-compliance with laws and regulations when fraud or suspected fraud is identified.
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.	No – The proposed ISA for LCE (Revised) 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 proposed ISA for LCE (Revised).	N/A
Specific Fraud-Related Audit Procedures		
13. Journal entries – uncertainty about how to select which journal entries to test that has resulted in inconsistent application.	Yes	Added a requirement and EEM in Part 7 (paragraph 7.4.6(a)(ii)) for the auditor to obtain audit evidence about the completeness of the population of journal entries and

¹² ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		other adjustments made in the preparation of the financial statements throughout the period.
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. 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.	Yes	- Enhanced the requirement by changing the work effort verb from “evaluate” to “determine” which types of revenue, revenue transactions or relevant assertions give rise to ROMMs due to fraud (see paragraph 6.4.2). - Enhanced the EEM related to paragraph 6.4.2 by providing guidance on when it may, or may not, be appropriate to rebut the presumption of fraud risk in revenue recognition.
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).	Yes	No revisions are proposed, as the requirement in ISA 240 (Revised) to which the revision was made was deemed to be sufficiently covered in the EEM under paragraphs 6.2.3 (second paragraph) and 6.4.2 (last paragraph).
17. Fraud is identified or suspected – lack of clarity around the auditor’s response in such circumstances.	Yes	- Added a separate section in Part 7.4 about fraud and suspected fraud. - Added requirements and EEM (see paragraphs 7.4.27A and 7.4.27B) to: - Clarify that the auditor is required to obtain an understanding of all instances of fraud or

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		suspected fraud in order to determine the effect on the audit engagement; ○ Clarify the engagement partner's responsibilities relating to fraud or suspected fraud that is not clearly inconsequential; and ○ Introduce a threshold in the fraud or suspected fraud requirements allowing the auditor to exclude from further consideration fraud or suspected fraud determined to be clearly inconsequential. • For scalability, presented the above requirements and EEM in a box with a heading indicating that they apply only if the auditor identifies fraud or suspected fraud. • Enhanced the requirement and related EEM that address the situation when the auditor identifies a misstatement due to fraud by laying out more clearly the auditor's responsibilities (see paragraph 7.5.5). • Enhanced the requirement in paragraph 1.6.2 and related EEM on reporting to an appropriate authority outside the entity as it relates to fraud or suspected fraud. • Moved the specific communication requirements related to fraud and suspected fraud from Part 1 to Part 7 (see paragraphs 7.6.3A–7.6.3C). • Enhanced the requirement (see paragraph 8.5.11) by clarifying the auditor's responsibilities when the financial statements are materially misstated due to

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		fraud or the auditor is unable to conclude in this regard.
18. Unpredictability of audit procedures – unclear as to the required actions or types of fraud-related procedures to be undertaken by the auditor.	Yes	Added EEM under paragraph 7.2.2 explaining that the auditor may also incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to address assessed risks of material misstatement due to fraud at the assertion level.
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.	Yes	Added EEM under paragraph 7.5.5 explaining that even when an identified misstatement due to fraud is not quantitatively material, it may be qualitatively material.
20. Third party fraud – clarity is needed around the auditor's actions with respect to third party fraud.	Yes	- Added EEM: - Under Part 1.5 explaining that the auditor performs procedures if the auditor identifies fraud or suspected fraud committed against the entity by a party external to the entity; and - Under paragraph 5.2.7 including a reference to third-party fraud as a topic for the discussion by the engagement team.
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.	Yes	- Moved the specific documentation requirements from Part 1 to Part 7 (see paragraph 7.7.1(h)). - The requirements relating fraud or suspected fraud (see paragraphs 7.7.1(d) and (g)–(h)) were enhanced and a new requirement was added that the results of audit procedures performed, the significant professional

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		judgments made and the conclusions reached with respect to fraud or suspected fraud should be documented.
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.	Yes	N/A – The IAASB noted that the paragraphs in ISA 240 (Revised) addressing this public interest issue were already covered in the proposed ISA for LCE (Revised).
Professional Skepticism		
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.	Yes	- Added additional examples in the EEM under paragraph 1.4.5. about the auditor remaining alert throughout the audit to emphasize the need to exercise professional skepticism. - Moved the reference “unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine” from the requirement (paragraph 2.3.3) to the EEM.
Transparency on the Auditor's Fraud-Related Procedures		
24. The required communications with TCWG 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.	Partly The IAASB considered the enhancements made to ISA 240 (Revised) relating to the inquiries of individuals in the internal audit function not to be relevant, given the	- Enhanced requirements and EEM in Part 6 (paragraphs 6.3.1 and 6.3.3) relating to inquiries of management and, where appropriate, TCWG about certain fraud related matters when obtaining an understanding of the entity's system of internal control. - Aligned the specific communication requirements in Part 7 (“<i>Specific Communications in Relation to Fraud</i>”

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
	typical nature and circumstances of an LCE.	section) with new requirements on fraud or suspected fraud in Part 7.4.
25. The auditor's report may not be transparent enough about the auditor's fraud-related responsibilities and procedures.	Partly The IAASB considered that the requirements relating to listed entities are not relevant to the ISA for LCE, as listed entities are excluded from using the standard.	Enhanced the illustrative auditor's report in paragraph 9.4.1 which now better articulates the auditor's responsibilities about the communications made to management, and where appropriate, TCWG as it relates to fraud.

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

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
Risk Identification and Assessment		
26. ISA 570 (Revised) 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	Partly Because the ISA for LCE is structured to follow the flow of the audit and is presented as a single standard, the enhancements made in	- Added requirements in Part 6 for the auditor to obtain an understanding of: - The applicable financial reporting framework to include an understanding of the requirements of the applicable financial reporting framework relating to going concern, and the related

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
may cast significant doubt on the entity's ability to continue as a going concern	ISA 570 (Revised 2024) to clarify the linkages with ISA 315 (Revised 2019) are not necessarily needed in the ISA for LCE.	disclosures that are required to be included in the entity's financial statements (paragraph 6.3.5); and ○ How disclosures related to the entity's ability to continue as a going concern are addressed (paragraph 6.3.8(cA)). • Added EEM in Part 6: ○ Under paragraph 6.2.4 explaining that the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is performed before considering any related mitigating factors included in management's plans for future actions; ○ Under Part 6.3 explaining that understanding relevant aspects of the entity assists the auditor in identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and ○ Under paragraph 6.3.1 explaining that inquiries may assist the auditor in understanding how TCWG exercise oversight over management's assessment of the entity's ability to continue as a going concern. • Added Appendix 4A providing examples of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
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. 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.	Yes	- Added a new requirement in paragraph 7.4.1A requiring the auditor to request management to make an assessment of the entity's ability to continue as a going concern covering a period of at least twelve months from the date of approval of the financial statements. - Added EEM under paragraph 7.4.1A emphasizing that the level of detail and formality of management's update to extend its assessment may vary from entity to entity and that, for LCEs, management may often be able to update its assessment through less formal means.

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
Information from Sources external to the Entity		
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. 30. It is unclear when it is appropriate to use information from a third-party when obtaining evidence of financial support.	Yes	• The requirement in paragraph 7.4.4 was enhanced to require the auditor to evaluate management's plans for future actions in relation to its going concern assessment, if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. • Added a new requirement in paragraph 7.4.4A for the auditor to obtain audit evidence about the intent and ability of a third or related party, including the entity's owner-manager, to maintain or provide financial support when the entity is dependent on such support. • Moved EEM from paragraph 7.4.1 to paragraph 7.4.4A explaining matters to consider when the entity is dependent on the support from owner-managers.
Terminology		
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.	Yes	• Included the definition of 'Material uncertainty (related to going concern)' in the glossary of terms in Appendix 1 of the proposed ISA for LCE (Revised), with supporting EEM included in the second paragraph of the EEM under paragraph 8.5.8.

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
Audit Techniques – Use of Technology		
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.	Yes	Added EEM under paragraph 7.4.17 providing examples of ATT that may be used when testing significant assumptions or data. This includes significant assumptions or data related to going concern.
Management's Assessment of Going Concern		
33. ISA 570 (Revised) does not reflect the more robust concepts in ISA 540 (Revised) ¹³ when designing and performing audit procedures 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.	Yes	- Enhanced the requirement for the auditor to design and perform audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern (paragraph 7.4.1) by clarifying management's assessment will include significant judgments by management; - Enhanced the requirement for the auditor to inquire of management as to its knowledge of events or conditions beyond the period of management's assessment (paragraph 7.4.1B) by adding a conditional requirement that, if management or the auditor identifies such events or conditions, the auditor is required to request management to evaluate their potential significance; and - Added a requirement that applies if the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that

¹³ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		management has not previously identified or disclosed to the auditor (see paragraph 7.4.2A). • For scalability, presented the requirements and EEM that apply if the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue in a box with a heading indicating that they only apply if the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (see requirements and EEM related to paragraphs 7.4.2A–7.4.4A). • Added EEM under paragraph 7.4.1: ○ Referring to paragraph 7.4.17 (i.e., the requirement relating to testing how management made the accounting estimate) when evaluating the method, significant assumptions, and data used by management in assessing the entity's ability to continue as a going concern; and ○ Explaining what is meant by the term 'method' in the context of the standard. • Added specific documentation requirements in Part 7 to promote consistent practice and behavior (paragraph 7.7.5) and added a documentation requirement in Part 8 (paragraph 8.9.1(c)) relating to the auditor's determination of the adequacy of management's disclosures in the financial statements related to going concern. • Added and enhanced requirements in Part 8 to strengthen the written representation to be obtained from

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		management, reflecting the more robust approach in the standard to evaluating management's assessment (paragraph 8.6.1(m)). Consequently, enhanced the illustrative representation letter in Appendix 7 to reflect the enhanced written representation requirements. • Added EEM to paragraph 8.5.8A to further clarify the requirement related to whether the financial statements provide adequate disclosures about the identified events or conditions. • Clarified paragraph 8.5.9 regarding the adequacy of disclosures when a material uncertainty exists.
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.	Yes	• A new requirement was added to paragraph 8.5.7 requiring the auditor to evaluate whether the judgments and decisions made by management in making its assessment of going concern, even if individually reasonable, are indicators of possible management bias.

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
Transparency About the Auditor's Responsibilities and Work Related to Going Concern		
35. The communication with TCWG on going concern may not be sufficiently robust, including that such communication may not always occur on a timely basis throughout the audit.	Yes	- Added EEM under paragraph 6.4.8 explaining that the auditor's evaluation of the procedures to identify and assess ROMM may indicate the existence of events or conditions that management has not previously identified or disclosed to the auditor. - Strengthened the communication requirements with TCWG (paragraph 8.8.3) to enhance transparency and timely communication when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.
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).	Yes	- Enhanced the requirement in paragraph 1.6.2. relating to reporting to an appropriate authority outside the entity, to include the requirement related to going concern. - Added a requirement (paragraph 1.4A.1) about the auditor's responsibilities related to going concern. This requirement mirrors and precedes a similar requirement for fraud. - The EEM under Part 1.4A explains that 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.

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
37. The auditor's report may not be sufficiently transparent with respect to the auditor's responsibilities and work related to going concern. 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".	Partly The IAASB considered that the requirements relating to listed entities are not relevant to the ISA for LCE, as listed entities are excluded from using the standard.	• In the specified format and content of the auditor's report in Part 9.4. ○ Added explicit statements about going concern in a separate section of the auditor's report when the going concern basis of accounting is appropriate and no material uncertainty exists; and ○ Added a footnote indicating that, when significant judgments are made by management in concluding that no material uncertainty exists, the auditor may decide to include: ▪ A reference to the related disclosure(s) in the financial statements, if any; and ▪ A description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. • In Part 9, strengthened the requirements to include additional statement in the auditor's report, when adequate disclosure of a material uncertainty is made in the financial statements (paragraph 9.6.6), or when adequate disclosure of a material uncertainty is not made in the financial statements (paragraph 9.5.19). • Added requirements in Part 9 (paragraphs 9.5.17A and 9.5.20A) that the auditor should not include a separate section on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report when the auditor disclaims an opinion on the financial statements

Public Interest Issues (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
		or express an adverse opinion, unless required by law or regulation. Clarified that, in the Basis for Disclaimer of Opinion section of the auditor's report, the auditor is required to state that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (paragraph 9.5.5).

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

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
39. Increased complexity and inconsistent application and understanding when concepts across the IAASB and IESBA standards differ, including when there is misalignment in the types of entities to which differential requirements apply.	Yes	In Part A, replaced the term "listed entity" with "publicly traded entity" and added EEM clarifying that legislative or regulatory authorities, or relevant local bodies with standard-setting authority, may define more explicitly a publicly traded entity in a specific jurisdiction (see paragraphs A.1(b) and A.2, EEM under paragraph A.2 and "Qualitative Characteristics" section).

Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
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: (a) The need to maintain the relevance, robustness, proportionality and scalability of the ISQMs and ISAs. (b) Increased complexity if there are too many differential requirements for certain entities. (c) The heightened expectations of stakeholders regarding the performance of audit engagements for certain entities.	No – The proposed ISA for LCE (Revised) does not include any requirements relevant to listed entities, or more broadly, differential requirements for certain entities.	N/A

Table D: Public Interest Issues 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)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
41. The requirements and related application material in the IAASB standards may not be consistent with	Yes	• Requirements were added in Part 5 (paragraphs 5.2.11(f) and 5.2.12A) to maintain the interoperability of the

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Public Interest Issue (PII)	Is the PII relevant to the specific nature and circumstances of an LCE? and Rationale ¹⁰	Description of Key Revisions Proposed
the revised IESBA Code regarding using the work of an external expert.		standard with the IESBA's Code ¹⁴ related to using the work of an external expert.

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¹⁴ IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*