

Maintenance of the ISA for LCE

Agenda Item 3

IAASB June 2026 Meeting



Project Team and Project Board Members



Jasper van den Hout,
Director



Kazuko Yoshimura,
IAASB Senior
Manager



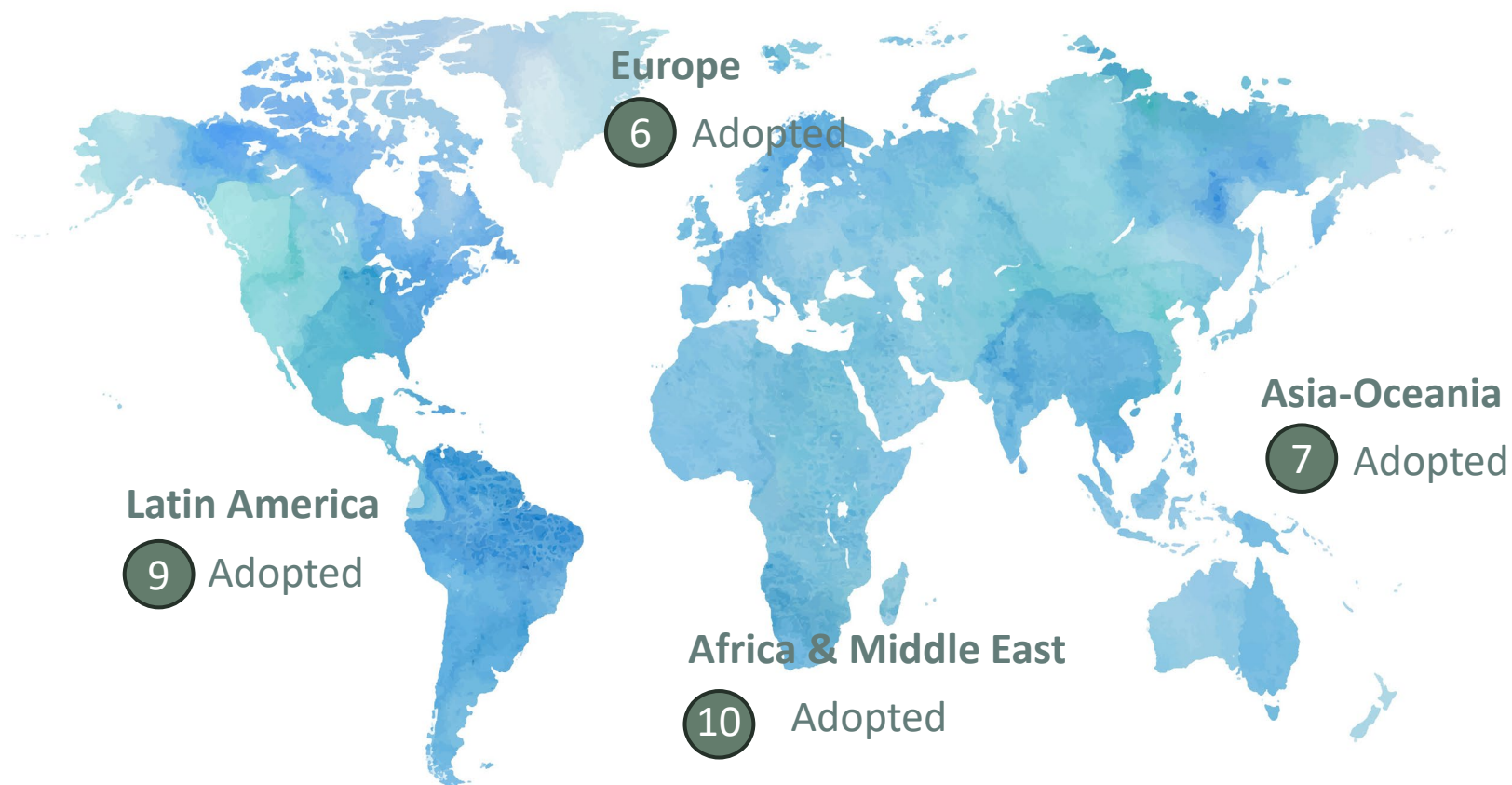
Greg Schollum,
Project Board
Member



Hernán Casinelli,
Project Board
Member

Adoption Status Indicative Snapshot

REGIONAL STATUS OF THE ISA FOR LCE ADOPTION



Stakeholder Outreach

- Association of Chartered Certified Accountants
 - European Federation of Accountants and Auditors for SMEs
 - Group of Latin American Accounting Standard Setters
 - International Federation of Accountants' International Standards Community of Practice and Small and Medium Practices Advisory Group
- ISA for LCE Advisory Group
- Comments from IFAC SMP Advisory Group

Objective and Approach of the Plenary Session

The **objective** of this session is to approve the exposure draft of proposed ISA for LCE (Revised)

The **approach** for the walkthrough of proposed ISA for LCE (Revised)



Batch No.	Parts
1	Part A–Part 5
2	Part 6
3	Part 7
4	Part 8–10, Appendices

Key Proposed Changes to Parts A, 1–5

Part 1, *Fundamental Concepts, General Principles and Overarching Requirements*

Fraud and Going Concern

- Removed duplicative EEM related to the auditor’s responsibilities (EEM under 1.4A and 1.5)

Fraud

- Revised requirements on auditor’s responsibility in paragraph 1.5.1 to align with auditor’s responsibilities relating to going concern in paragraph 1.4A.1 and “Objectives” of ISA 240 (Revised)

Part 2, *Audit Evidence and Documentation*

Fraud

- Relocated a sentence in paragraph 2.3.3 related to authenticity of records and documents from a requirement to EEM

Parts A, 3–5

- No changes from the March Board meeting are proposed

Matters for Board Consideration



1. The Board is asked for their views on the Project Team's proposed changes in **Part A-Part 5** as explained in **Agenda Item 3-A** and reflected in **Agenda Item 3-B**

Presumption of ROMMs Due to Fraud in Revenue Recognition

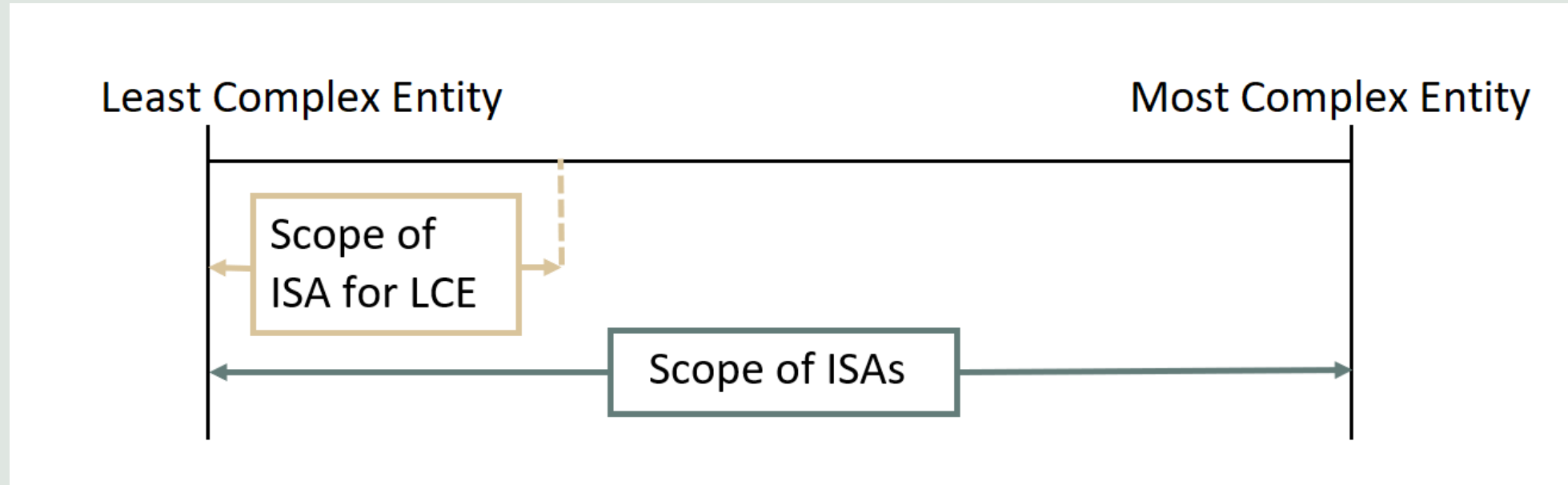
Considerations

- The overall design principles of the ISA for LCE
- The key issues identified in the project proposal to revise the ISA 240
- The Authority of the ISA for LCE

Proposed Changes to EEM under 6.4.2 on rebuttal of the Presumption

- Clarified how ROMMs due to fraud may arise from revenue recognition
- Explained that determining whether fraud risk factors indicate ROMMs due to fraud is a matter of professional judgment
- Clarified that it may be appropriate to rebut the presumption
- Deleted that there may be limited circumstances where it may be appropriate to rebut the presumption

Scope of the ISA for LCE : Rebuttal of the Presumption of ROMM Due to Fraud in Rev. Rec.



Other Key Proposed Changes to Part 6

Fraud

- Changed requirement to design and perform procedures to identify and assess ROMMs back to extant as it was deemed circular (paragraph 6.2.4)
- Aligned the requirement for retrospective review to the requirement in ISA 240 (Revised) to support scalability (paragraph 6.2.4A)
- Deleted the requirement relating to control deficiencies as it was deemed duplicative (paragraph 6.3.3A)

Matters for Board Consideration



2. The Board is asked for their views on the Project Team's views and recommendations regarding the presumption of ROMMs due to fraud in revenue recognition as explained in **Agenda Item 3**
3. The Board is asked for their views on the Project Team's proposed other changes in **Part 6** as explained in **Agenda Item 3-A** and reflected in **Agenda Item 3-B**

Going Concern in Part 7.4

1. The Lack of Formal Going Concern Assessment by Management

Considerations

- The objectives of the project to revise ISA 570 (Revised)
- Guidance included in ISA 570 (Revised 2024)

Changes Proposed

- Clarified the guidance on evaluating management's assessment when management has performed a less formal assessment

2. The Granularity of the Going Concern Section

Changes Proposed

- Streamlined the requirements and EEM to enhance the flow
- Added 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 in a box to enhance scalability

Other Key Proposed Changes to Part 7

Going Concern

- Deleted requirement and added EEM to address incorporating an element of unpredictability (paragraph 7.3.2(e) and EEM under paragraph 7.2.2)
 - Proposed draft in March was deemed more stringent than the ISAs
- Reverted the work effort verb from “determine” to “consider” for the requirement to test journal entries and other adjustments throughout the period (paragraph 7.4.6(a)(iv))
 - LCEs are unlikely to have interim financial reporting periods and therefore “consider” is the appropriate work-effort verb

Fraud

- Added the fraud or suspected fraud requirements in a box to enhance scalability (paragraphs 7.4.27A–7.4.27B)

Matters for Board Consideration



4. The Board is asked for their views on the Project Team's views and recommendations regarding going concern in Part 7.4 as explained in **Agenda Item 3**
5. The Board is asked for their views on the Project Team's proposed other changes in **Part 7** as explained in **Agenda Item 3-A** and reflected in **Agenda Item 3-B**

Key Proposed Changes to Parts 8–10 and Appendices

Part 8, *Concluding*

Going Concern

- Revised paragraph 8.5.7 to align with ISA 570 (Revised 2024) as it relates specifically to the auditor's evaluation of going concern, whereas paragraph 8.5.5 addresses the auditor's overall conclusion
- Deleted the written representation requirement in paragraph 8.6.1(m)(ii) as procedures relating to the methods, significant assumptions, and data is addressed in EEM

Appendix 7, Illustrative Representation Letter

Going Concern

- Revised the illustrative representation letter to align with the requirements for written representation in paragraph 8.6.1

Parts 9–10, Appendices 1–6

- No or minor changes from March Board meeting proposed

Matters for Board Consideration



6. The Board is asked for their views on the Project Team's proposed changes in **Part 8–Part 10 and Appendices** as explained in **Agenda Item 3-A** and reflected in **Agenda Item 3-B**



Other Matters

EXPOSURE PERIOD

PROPOSED IMPLEMENTATION PERIOD

DUE PROCESS MATTERS

Matters for Board Consideration



7. Are there any other matters that the Project Team should consider in respect to the matters described in **Agenda Item 3**?

Timeline – next steps this week

Targeted Matters for
Discussion *[if applicable]*

Wednesday, June
17, 2026

9:00 – 10:00

Updated Drafts

By Wednesday,
June 17, 2026

13:30

Targeted Approval
Session

Thursday, June 18,
2026

10:30 – 11:00