EXPOSURE DRAFT OF PROPOSED INTERNATIONAL STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

Response Form

Guide for Respondents

Comments are requested by **November 17, 2026**. *Note that requests for extensions of time cannot be accommodated due to the timeline for finalization of this proposed revised standard.*

This form is for providing comments on the Exposure Draft of proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (Revised) (ED-ISA for LCE), in response to the questions set out in the Explanatory Memorandum to ED-ISA for LCE. It also allows for respondent details, demographics and other comments to be provided. Use of this form will facilitate the IAASB's analysis of the responses.

You may respond to all questions or only those questions for which you have specific comments.

To assist our consideration and analysis of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Include any detailed comments below that, as indicated.
- When providing comments, respond directly to the questions and:
    - Provide the rationale for your answers. If you disagree with the proposals in ED-ISA for LCE, please provide specific reasons for your disagreement and include specific suggestions for changes (including specific wording) that may be needed to the requirements, essential explanatory material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view as support for the IAASB's proposals cannot always be inferred when not stated.
    - Be specific about the Parts, paragraphs or appendices in ED-ISA for LCE to which your responses relate.
    - Refrain from inserting tables or text boxes in your responses.

It is not necessary to include a cover letter containing a summary of your key issues. The response form provides the opportunity to include any other views you wish to place on the public record, should you choose to do so. All responses will be considered a matter of **public record** and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the web page for proposed ISA for LCE (Revised) to upload the completed form.

Responses to IAASB's Request for Comments in the Explanatory Memorandum for ED-ISA for LCE

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	The Nordic Federation of Public Accountants (NRF)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Helene Agélii
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	Helene.agelii@nrfaccount.org
Geographical profile that best represents your situation (i.e., the geographical perspective from which are you providing feedback on ED-ISA for LCE). Select the most appropriate option.	Europe
	If "Other", please clarify
The stakeholder group to which you belong (i.e., the perspective from which are you providing feedback on ED-ISA for LCE). Select the most appropriate option.	Professional accountancy or professional organization (PAO)
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional**. The IAASB's preference is that you incorporate all your views in your comments to the questions.

Information, if any, not already included in responding to the questions in Part B:

The Nordic Federation of Public Accountants (NRF) represents the collective voice of the audit and accounting profession in the Nordic region. NRF operates on behalf of, and under the direction of, the five recognized professional accountancy organizations in the Nordic countries: DnR (Norway), FAR (Sweden), FLE (Iceland), FSR – danske revisorer (Denmark), and Suomen Tilintarkastajat ry (Finland).

This response has been developed through NRF's established due process with the participation of all member organizations, including FSR – danske revisorer.

FSR supports the views expressed in this response while holding different views on a limited number of matters relating to going concern and independence, including the period of management's going concern assessment and certain proposed requirements relating to reporting on going concern and independence in the auditor's report.

FSR has set out its views on those matters in a separate submission. Accordingly, where FSR has not provided separate comments, it supports the positions expressed in this NRF response.

PART B: Responses to Questions in the Explanatory Memorandum for ED-ISA for LCE

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Impact

1. Do you agree that ED-ISA for LCE appropriately addresses the **relevant public interest issues** related to the underlying ISA projects and satisfies the identified **qualitative characteristics of the Public Interest Framework**? You are invited to include as part of your response insights on the **implications or effects** of implementing the proposed revisions in ED-ISA for LCE.

   (*See Section I-A and the Appendix in the Explanatory Memorandum)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

We are convinced that the ISA for LCE will contribute to higher audit quality in audits of LCEs, as it is easier to understand and its requirements are better adapted to the nature of these audits. This is what makes the standard fit for purpose.

In our view, the fact that the ISA for LCE is a standalone standard is one of its most important strengths. Its requirements have been developed specifically for audits of less complex entities, so that the auditor can obtain reasonable assurance in such audits. This design should be retained in the maintenance of the standard, and every proposed amendment should be evaluated in light of what the ISA for LCE is intended to achieve and the entities to which it is intended to apply. Revisions to the ISAs should lead to an assessment of whether the ISA for LCE needs to be updated but should not give rise to a presumption that corresponding amendments are required.

Public interest in the LCE environment

Public interest is not a uniform concept. An issue that is significant in audits of publicly traded entities, public interest entities or other complex entities should not automatically be presumed to be equally significant in the LCE environment. The key question is whether it represents a public interest issue in the context of typical LCE audits.

Relevance before proportionality

Every proposed change should first pass a relevance test: is the underlying public interest issue genuinely present in a typical LCE audit? In our view, the relevance step has not been sufficiently emphasized, and there is a risk that the assessment moves too quickly from “the issue is fully or partly relevant” to “how do we introduce a proportionate solution?”. There is a difference between an issue being relevant to LCEs and new requirements being needed in the ISA for LCE to address it. For example, fraud and going concern are important also in less complex entities, but the fact that they have motivated changes to the ISAs does not automatically mean that corresponding changes are needed in the ISA for LCE. Coherence across standards does not require identical requirements where differences in the nature and circumstances of engagements justify a different approach.

We therefore propose that the relevance test explicitly covers both the relevance of the issue in a typical LCE environment and the need to change the extant standard: how the issue manifests itself in a typical LCE, which stakeholders are affected, which deficiency in the extant ISA for LCE the change is intended to address, and what improvement it is expected to achieve. Existing requirements may already address the issue, even if they are designed differently from the requirements in the ISAs. If an issue is not relevant to a typical LCE, or no change to the extant standard is needed, no revision should be made. Only when both relevance and necessity have been demonstrated should proportionality and scalability be considered. The aim should be to achieve the intended outcome and maintain reasonable assurance without introducing unnecessary complexity or work effort for a typical LCE audit. Proportionality is already embedded in the ISAs, and focusing mainly on proportionality blurs the distinction between applying the ISAs in a scalable way and applying a standalone standard for LCEs. This is compounded by the fact that changes to the ISAs are driven by issues arising in audits of complex public interest entities, an environment fundamentally different from that of LCEs. An example is the reference to individuals with forensic skills under paragraph 7.4.27B, as set out in our response to Question 2.6.

Maintaining ISA for LCE as a separate standard

In our response to the exposure draft of the ISA for LCE in January 2022, we emphasized that changes to the ISAs should be analyzed and challenged based on the characteristics of LCEs before being added to the ISA for LCE, even if this results in increased divergence between the standards over time. Requirements should not be added to the ISA for LCE unless absolutely necessary. We continue to hold this view, and it underpins our comments below.

Developments in the ISAs should not automatically result in corresponding changes to the ISA for LCE. As there are clear differences in the risk profiles of typical LCEs and more complex entities, it is natural that there may be differences between the ISA for LCE and the ISAs. Such differences do not, in themselves, compromise audit quality or call into question the expression of reasonable assurance. The value of the ISA for LCE lies precisely in containing only the requirements that are relevant to a typical LCE audit. This allows the auditor to focus on what matters in a less complex audit, rather than losing sight of it among a large number of requirements that are not relevant in the circumstances but nevertheless have to be considered and documented as not applicable. In our view, this is what gives the standard its justification, and it should not be compromised by updating the standard primarily to keep it close to the ISAs. Every requirement added to the ISA for LCE that is not necessary for a typical LCE audit erodes the very clarity that the standard was designed to provide. The ISA for LCE should therefore continue to evolve as a standalone auditing standard.

Cost-benefit and implementation considerations

Every change made to the standard should be necessary, not merely “nice to have”. In several Nordic countries there are already audit methodologies, training programmes and implementation frameworks built on the extant standard, and each amendment carries real implementation and re-tooling costs. Changes should therefore demonstrate a clear public interest benefit in the context of LCE audits. One example is the relocation of the sentence “Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine” from the requirement in paragraph 2.3.3 to the EEM. According to paragraph 28 of the Explanatory Memorandum, the change aligns the ISA for LCE with the ISAs without changing the substance, and footnote 14 notes that the corresponding sentence in ISA 200 may be deleted in a separate project. The change will therefore need to be implemented in methodologies and audit programs and may need to be revised again in a future maintenance project, without a clear benefit for LCE audits (see also our response to Question 2.3).

Content of ED-ISA for LCE

Part A

2.1. Provide your views on the proposed revisions to **Part A**, *Authority of the ISA for LCE*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way. *(See Section I-B in the Explanatory Memorandum)*

Overall response: **Support the proposed revisions (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Part 1

2.2. Provide your views on the proposed revisions to **Part 1**, *Fundamental Concepts, General Principles and Overarching Requirements*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way. *(See Section I-C in the Explanatory Memorandum)*

Overall response: **Do not support the proposed revisions, with comments below**

Detailed comments (if any):

We do not agree with two of the proposed revisions to Part 1: the new going concern section (Part 1.4A) and the new requirement in paragraph 1.8.2(b).

Going concern (Part 1.4A)

One of the key advantages of the ISA for LCE is its process-based structure, where the EEM follows directly after the requirements.

We acknowledge that Part 1 already sets out overarching requirements relating to fraud, laws and regulations and related parties. However, we are not convinced that relocating going concern material from Part 7 to Part 1 is necessary. The focus areas in Part 7.4 are currently well integrated, and keeping related material together is one of the features that makes the standard easy to navigate.

We recommend retaining related going concern material together in Part 7, unless the IAASB can demonstrate that relocation would improve understanding and application. Structural changes should be assessed against their benefits for practitioners and the costs of updating methodologies, software and training.

Statement on independence (paragraph 1.8.2(b))

We strongly support compliance with independence and other relevant ethical requirements. We would, however, question whether the new statement in paragraph 1.8.2(b) adds sufficient value in a typical LCE

audit. As set out in our response to Question 1, new requirements should be added only where a clear benefit for LCE audits can be demonstrated.

In a typical LCE, those charged with governance are often also involved in management, for example as an owner-manager, and a formal statement may therefore provide limited additional information. Paragraph 1.8.2(a) already requires the auditor to communicate the relevant ethical requirements applied in the engagement, including those relating to independence. Independence is also addressed in the engagement letter and through national legislation. In our view, a requirement of this kind may be more relevant in audits of more complex entities, in particular where the complexity relates to the governance structure.

We therefore recommend that paragraph 1.8.2(b) is not included in the ISA for LCE, as we do not consider the requirement to provide sufficient benefit in the audit of a typical LCE.

Parts 2 and 3

2.3. Provide your views on the proposed revisions to **Part 2**, *Audit Evidence and Documentation* and **Part 3**, *Engagement Quality Management*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-D in the Explanatory Memorandum)

Overall response: **Do not support the proposed revisions, with comments below**

Detailed comments (if any):

We do not support relocating the sentence "Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine" from the requirement in paragraph 2.3.3 to the EEM. As explained in paragraph 28 of the Explanatory Memorandum, the relocation does not change the substance of the requirement but aims to align the ISA for LCE with the ISAs. As set out in our response to Question 1, the corresponding sentence in the ISAs is proposed to be deleted in a separate project. The relocation is therefore driven by alignment with wording that may soon no longer exist in the ISAs, rather than by any issue identified in audits of LCEs.

In addition, when the word "may" is used in a requirement, it gives the auditor a clear permission. When the same wording is placed in the EEM, it may be perceived as less authoritative. In our view, the change is therefore not necessary and may reduce clarity for practitioners. We therefore suggest that paragraph 2.3.3 is retained as in the extant standard.

Part 5

2.4. Provide your views on the proposed revisions to **Part 5**, *Planning*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-E in the Explanatory Memorandum)

Overall response: **Neither support/ not support the proposed revisions, but see comments below**

Detailed comments (if any):

We support the enhanced EEM under paragraph 5.2.7 on the engagement team discussion of how and where the entity's financial statements may be susceptible to material misstatement due to fraud.

In our view, the additions in paragraphs 5.2.11(f) and 5.2.12A are not necessary in the ISA for LCE. Auditor's external experts are rarely used in typical LCE audits, and the general requirement in Part 1 to comply with relevant ethical requirements already addresses the matter. Each addition increases the length of the standard without, in our view, adding sufficient value for typical LCE audits. There is a risk that requirements of limited relevance draw attention away from the matters that are most important in such audits. In line with our view that changes and additions to the ISA for LCE should be made only where relevant, we suggest that these additions are not included.

Part 6

2.5. Provide your views on the proposed revisions to **Part 6**, *Risk Identification and Assessment*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-F in the Explanatory Memorandum)

1. Responses related to Presumption of ROMMs Due to Fraud in Revenue Recognition (Part 6.4)

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

In the current proposal, allowing the auditor to conclude that there is no risk of material misstatement due to fraud related to revenue recognition when no significant fraud risk factors have been identified is well aligned with the circumstances and risk profile of a typical LCE audit. In many typical LCEs, revenue transactions are operationally straightforward, highly predictable and highly verifiable, and the proposal allows the auditor's determination to be based on the auditor's understanding of the business, transaction flows and actual fraud risk factors.

The example currently included in the EEM (i.e., leasehold revenue from a single rental property) may not, however, be representative of the circumstances commonly encountered in typical LCE audits. To further support the auditor's professional judgment, we suggest that the EEM under paragraph 6.4.2 describes the general characteristics that may support rebutting the presumption, rather than relying on an individual example. Such characteristics could include circumstances where revenue transactions are simple and highly repetitive, where prices or fees are fixed by contract or otherwise objectively determinable, where revenue is predictable based on established transaction flows, and where the occurrence and amount of revenue can be readily verified through external or other reliable audit evidence, such as incoming payments (for example, fixed monthly service fees, rental income, membership fees, sales recorded through point-of-sale systems, or sales to a few established customers). This would provide guidance that is applicable across different types of LCEs and reduce the risk that a single example is interpreted as the only acceptable basis for rebuttal.

We nevertheless remain of the view that the presumption of a risk of material misstatement due to fraud in revenue recognition may be less relevant in an LCE. Complexity in revenue recognition and complex transactions should not be present, given the qualitative characteristics in paragraph A.3. As the IAASB is

reconsidering traditional presumptions and mandatory procedures in other projects (EM for ISA 330, paragraph 18, and ISA 501) in favour of more risk-based and proportionate approaches, it is appropriate to also consider the presumption of fraud risk in revenue recognition in ISA for LCE engagements. Fraud risk relating to revenue recognition should primarily be determined through the auditor's understanding of the business, transaction flows and actual fraud risk factors, rather than through an automatic presumption.

We are of the view that the risk of management override of controls is generally the more relevant fraud risk in a typical LCE environment. As management override of controls due to lack of objectivity may represent a greater risk in an LCE, we suggest clarifying management override of controls, similar to the approach in ISA 240 (Revised) (e.g., paragraph 40). This would address fraud risk factors relating to deficiencies in internal control.

2. Other proposals in Part 6

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

Fraud risk factors

We welcome the increased emphasis on fraud risk factors in Part 6.

Paragraph 6.2.4A – Retrospective review

The addition is appropriate, but we would prefer retaining the word "significant". In the extant standard, the retrospective review addresses management judgments and assumptions related to significant accounting estimates (extant paragraph 7.4.6(b)(ii)). Removing "significant" extends the review to all accounting estimates reflected in the prior year's financial statements. Retaining "significant" would focus the review on the accounting estimates where it is most likely to contribute to the identification and assessment of risks of material misstatement, whether due to fraud or error.

Part 7

2.6. Provide your views on the proposed revisions to **Part 7**, *Responding to Assessed Risks of Material Misstatement*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-G in the Explanatory Memorandum)

1. Responses related to Going Concern Section (Part 7.4)

Overall response: **Do not support the proposed revisions, with comments below**

Detailed comments (if any):

We appreciate the presentation of paragraphs 7.4.3A–7.4.4A and the related EEM in a separate text box with a heading, which makes the section considerably easier to navigate. However, we do not support the proposed revisions to paragraphs 7.4.1 and 7.4.1A, for the reasons set out below.

Management's assessment and the EEM under paragraph 7.4.1

The extant ISA for LCE is based on non-formalized processes, and the process regarding going concern in a typical LCE is very rarely formalized. Formalized management assessments of the entity's ability to continue as a going concern are not very common even in larger entities. Given that no significant business risks, complex accounting estimates or judgments (paragraph A.3) should be present in an ISA for LCE engagement, there is generally no need for a formalized assessment. The proposed wording, in particular the requirement in paragraph 7.4.1 for the auditor to "design and perform audit procedures" to evaluate management's assessment, sets expectations for management's assessments that are too high for a typical LCE and gives the impression that an extensive and formalized evaluation is required. We therefore propose that the extant wording of paragraph 7.4.1 is retained: "The auditor shall evaluate management's assessment of the entity's ability to continue as a going concern." In a typical LCE, the focus should instead be on the auditor's own evaluation of whether there are factors indicating doubt about the entity's ability to continue as a going concern, so that a more extensive discussion with management takes place when an assessment is actually needed. Discussions about liquidity planning and business risks that may affect the entity's ability to continue as a going concern are more relevant than an emphasis on a formalized process.

We note the IAASB's rationale in paragraph 64 of the Explanatory Memorandum for not limiting paragraph 7.4.1 to inquiry and discussion, and that the EEM under paragraph 7.4.1 retains guidance on how the auditor's evaluation may be satisfied when management has not prepared a detailed assessment. However, this guidance is conditional on management's plans being "corroborated by sufficient documentary evidence", and the sentence stating that the evaluation "may be satisfied by discussion, inquiry and inspection of supporting documentation" could be read as implying that written documentation is always required. In addition, the new EEM on the method, significant assumptions and data used in management's assessment, with its reference to paragraph 7.4.17, introduces concepts relating to accounting estimates into a context where, given paragraph A.3, no complex accounting estimates should exist. As noted in paragraph 61 of the Explanatory Memorandum, stakeholders informed the IAASB that management in a typical LCE is unlikely to perform a formal going concern assessment, and that going concern issues are more likely to be identified through the procedures to identify and assess risks of material misstatement and through inquiries of management about the entity's ability to continue as a going concern.

We therefore propose:

- Deleting the EEM on the method, significant assumptions and data used in management's assessment.
- Amending the existing sentence in the EEM to read: "Therefore, the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern may, for example, be satisfied by discussion, inquiry and/or inspection of supporting documentation (e.g., budgets, forecasts and other evidence)."
- Adding the following to the EEM: "When the auditor has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's evaluation of management's assessment may ordinarily be satisfied through inquiry and discussion with management, together with audit evidence obtained in the course of the audit. If the information obtained is insufficient or contradictory, the auditor performs further audit procedures."

Period of management's assessment (paragraph 7.4.1A)

We acknowledge that the period of management's assessment was considered a public interest issue in the revision of ISA 570. However, in line with our response to Question 1, we are not convinced that extending the period to at least twelve months from the date of approval of the financial statements is necessary for audits of typical LCEs, in particular where the applicable financial reporting framework specifies a different period. It is not clear to us what additional benefit this would provide to users of LCE financial statements, given that LCEs often lack sophisticated forecasting systems and, under paragraph A.3, should not be exposed to significant pervasive business risks.

In our view, the extant standard already provides an appropriate basis. The auditor inquires of management as to its knowledge of events or conditions beyond the period of management's assessment (paragraph 7.4.3) and inquires about the reasons for any significant delay in the approval of the financial statements (paragraph 7.4.5). We therefore suggest that the IAASB reconsiders the proposed assessment period in the LCE context.

Should the IAASB nevertheless retain the requirement in paragraph 7.4.1A, we note that the EEM does not include the guidance in paragraph A55 of ISA 570 (Revised 2024). That guidance explains that, where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting, for example when the entity has profitable operations, has no liquidity concerns, and no events or conditions that may cast significant doubt have been identified beyond the period of assessment. This guidance is particularly relevant for a typical LCE, and we strongly recommend that it is included in the EEM under paragraph 7.4.1A.

2. Other proposals in Part 7

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support the new requirement in paragraph 7.4.4A for the auditor to obtain audit evidence about the intent and ability of third parties or related parties, including the owner-manager, to maintain or provide financial support. Dependence on financial support from owner-managers and related parties is common among LCEs in the Nordic countries, and the requirement and related EEM are therefore highly relevant.

Forensic skills (EEM under paragraph 7.4.27B)

In our view, the involvement of individuals with forensic skills should not be necessary in the detection of fraud when dealing with non-complex entities. If such involvement is considered necessary, this may instead signal a level of complexity indicating that the auditor should reconsider the use of the ISA for LCE. The reference may also create expectations of a level of investigation that is not ordinarily relevant in audits of typical LCEs. We therefore recommend that the reference to individuals with forensic skills is removed from the EEM under paragraph 7.4.27B.

Part 8

2.7. Provide your views on the proposed revisions to **Part 8**, *Concluding*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-H in the Explanatory Memorandum)

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support revisions that make the auditor's conclusions clearer and provide useful practical guidance.

Going concern (paragraph 8.5.7)

As a typical LCE will most likely not have a formalized process regarding going concern, we suggest that paragraph 8.5.7 is clarified so that it does not suggest that management's going concern assessment will always be documented in a formal assessment. In line with our response to Question 2.6, the requirement and related EEM should allow for a less formal assessment by management, while the auditor remains responsible for obtaining sufficient appropriate audit evidence to support the conclusions reached.

Our support for the revisions to Part 8 should be read together with our concerns regarding the new Going Concern section in the auditor's report, as set out in our response to Question 2.8.

Part 9

2.8. Provide your views on the proposed revisions to **Part 9,** *Forming an Opinion and Reporting*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-I in the Explanatory Memorandum)

Overall response: **Do not support the proposed revisions, with comments below**

Detailed comments (if any):

Going Concern section in the auditor's report (paragraph 9.4.1)

We do not support the new separate Going Concern section in the auditor's report for audits of LCEs, as it has not been demonstrated how it would benefit users of LCE financial statements. An addition of this kind should be based on the information needs of these users and on how it would improve their understanding of the financial statements. In a typical LCE, where no events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been identified, we are not convinced that a separate section with standardized wording would provide such a benefit. We therefore suggest that the separate Going Concern section is not included in the specified format and content of the auditor's report. Some financial reporting frameworks have a more compliance-based approach to going concern assessments. For example, in Sweden, a majority of LCEs use a financial reporting framework where the going concern assumption should be used until there is a decision to discontinue operation. Under these circumstances, a separate section in the auditor's report would be irrelevant. If a requirement to include a separate section in the auditor's report is retained, the IAASB should consider that the inclusion of a

separate going concern section should be conditional on financial reporting frameworks that explicitly require management assessment regarding the use of the going concern assumption.

Statement on independence in the auditor's report (paragraph 9.4.1)

As set out in our response to Question 2.2, we do not consider the requirement in paragraph 1.8.2(b) to provide those charged with governance with a statement on compliance with relevant ethical requirements regarding independence to provide sufficient benefit in the audit of a typical LCE. Consequently, we suggest that the corresponding sentence in the Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report in paragraph 9.4.1 ("We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.") is also removed.

Part 10 and Appendices

2.9. Provide your views on the proposed revisions to **Part 10**, *Audits of Group Financial Statements* and **Appendices**. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

Overall response: **Neither support/ not support the proposed revisions, but see comments below**

Detailed comments (if any):

NRF supports the proposed revisions to Part 10 and has no specific comments on those amendments, our concern is within the appendices.

Appendix 2 – Illustrative Engagement Letter

As set out in our response to Question 2.6, we do not support extending the period of management's assessment to twelve months from the date of approval of the financial statements (paragraph 7.4.1A). Consequently, we suggest that the reference to "a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements" in paragraph (c)(ii) of the illustrative engagement letter is removed.

Appendix 3A – Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern

As set out in our response to Question 3 we would prefer the examples in Appendix 3A to be addressed within the EEM under paragraph 6.2.1 rather than in a separate appendix, in order to retain the process-based structure of the standard where the EEM follows directly after the requirements.

The EEM under paragraph 6.2.1 already includes examples of events or conditions of particular relevance to an LCE, such as the risk that banks and other lenders, close family members or owner-managers may cease to support the entity, and the possible loss of a principal supplier, major customer or key employee. We welcome that these LCE-specific examples are included in the EEM, where they follow directly after the requirement. Appendix 3A, by comparison, appears to be based mainly on more general examples in ISA 570 (Revised 2024).

We therefore suggest that Appendix 3A is either deleted, with the EEM under paragraph 6.2.1 retained as the source of examples or shortened and tailored to a typical LCE. If retained, the examples should be ordered according to their relevance for a typical LCE and supplemented with the events or conditions that most often drive going concern risk in smaller entities, such as dependence on the owner-manager, personal guarantees provided by the owner-manager, dependence on a single major customer or supplier, non-compliance with bank covenants, and the loss of a key person without replacement.

We also note that the mapping table in the Explanatory Memorandum (item 26) refers to Appendix 4A, whereas the exposure draft refers to Appendix 3A.

Appendix 4 – Fraud risk factors

We suggest that the examples in Appendix 4, including the new additions such as pandemics, wars and economic sanctions, are reviewed and prioritized according to their relevance for a typical LCE. The fraud risk factors that most often arise in smaller entities include domination of management by the owner-manager, limited segregation of duties, pressure arising from bank covenants or personal guarantees provided by the owner-manager, and tax-driven incentives to understate revenue, which are also referred to in the EEM under paragraph 6.4.2. Presenting these examples more prominently would make the appendix more useful in audits of typical LCEs.

Other Matters

Maintenance of the ISA for LCE

3.	Do you agree with the Maintenance Approach? Please also share your views relating to the frequency and timing of maintenance projects and how the approach could be improved, including, as applicable, how to achieve the appropriate balance between the desire for stability between different versions of the standard and keeping the standard aligned with the core requirements and concepts of the ISAs. *(See Section I-J, paragraphs 72–76 in the Explanatory Memorandum)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

Maintenance Approach

We support maintaining the ISA for LCE to ensure that it remains responsive to developments in the business and audit environment. However, we have significant concerns regarding the principles set out in paragraph 73 in the Explanatory Memorandum.

In line with our response to Question 1, we do not support the presumption in paragraph 73(a) that public interest issues identified in relation to new or revised ISAs would generally also be relevant to the ISA for LCE. Over time, such a presumption risks turning the ISA for LCE into a condensed version of the ISAs, undermining its intended standalone nature.

Instead, maintenance should begin with an independent assessment of whether the public interest issue is relevant in a typical LCE audit and whether any change to the ISA for LCE is necessary.

We are also concerned by the references in paragraph 73(b) to the "core requirements and concepts" of the ISAs. While fundamental concepts, such as a risk-based approach, professional judgement and professional scepticism, underpin both frameworks, the Maintenance Approach does not define what constitutes a "core requirement." We therefore do not believe this concept provides a sufficiently robust basis for determining when changes to the ISAs should result in corresponding changes to the ISA for LCE.

Timing and frequency

We support timely updates where developments are relevant to LCE audits but believe this needs to be balanced against the need for stability and predictability. Consideration of the LCE perspective should begin when an ISA project is initiated. At that stage, the IAASB should assess whether the underlying public interest issue is relevant to a typical LCE audit and whether a change to the ISA for LCE may be necessary. Detailed development of any amendments could then take place as the ISA project approaches completion. This would allow LCE-specific issues to be considered from the outset without requiring two fully parallel standard-setting processes.

At the same time, maintenance should provide a stable and predictable platform for implementation. Less fundamental changes could therefore be considered periodically, for example on a two- to three-year cycle. In all cases, "necessary", rather than "nice to have", should remain the threshold for change.

Structure of the standard

The extant standard has a very good structure and should be retained. One of the key advantages of the ISA for LCE is its process-based structure, where the EEM follows directly after the requirements. Relocations of requirements or EEM should therefore not be made, unless they are strictly necessary to address an identified deficiency in the extant standard, in line with the assessment of relevance and necessity described above.

References to other parts of the standard and to separate appendices should be avoided where possible to keep this structure, for example the reference to paragraph 7.4.17 in the EEM under paragraphs 7.4.1 and 7.4.4 and the reference to Appendix 3A in the EEM under paragraph 6.2.1, which we would prefer to be addressed within the EEM.

The established LCE phrasing, reflecting that entities are non-complex in nature and that, for example, management and those charged with governance may be the same (often expressed as "…and, where appropriate, those charged with governance"), should be retained and applied consistently throughout the standard. Changes in wording should be avoided unless there is a clear necessity.

Effective Date

4.	The IAASB believes that an appropriate implementation period would be approximately 18 months after the expected date of approval of the proposed revised standard. Do you agree that this will provide a sufficient period to support effective implementation of the proposed revisions to the standard? If not, what do you propose and why? *(See Section I-J, paragraphs 77–78 in the Explanatory Memorandum)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We consider an implementation period of approximately 18 months after approval to be acceptable, provided that the final English text is made available immediately after approval. As noted in paragraph 77 of the Explanatory Memorandum, the implementation period is intended to cover both adoption and translation by jurisdictions and the incorporation of the changes into firm methodologies, tools and training material. In the Nordic countries, the standard needs to be translated before methodologies and audit programs can be updated, which means that the period effectively available to firms and software providers is considerably shorter than 18 months. As set out in our response to Question 1, each amendment carries real implementation and re-tooling costs, and a shorter implementation period should therefore not be considered.

Translations

5.	Recognizing that many respondents may intend to translate the final standard for adoption in their own environments, have you identified any potential translation challenges or issues? If so, please describe the issue identified and clearly indicate the specific paragraph numbers of any requirements, essential explanatory material, or appendices to which your comments relate.

Overall response: **No**

Detailed comments (if any):

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