



PROPOSED REVISIONS TO ISA (UK) 240 AND ISA (UK) 570

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ICAEW welcomes the opportunity to comment on proposed revisions to ISAs (UK) 240 and 570 published by the Financial Reporting Council (FRC) on 1 October 2025, a copy of which is available from this [link](#).

For questions on this response, please contact the ICAEW Audit and Assurance Faculty at tdaf@icaew.com quoting REP 02/26

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KEY POINTS

SUPPORT FOR INTERNATIONAL ALIGNMENT

1. We welcome the opportunity to respond to this consultation and support the main objective of the proposed revisions, which is to maintain equivalence between UK and international auditing standards. ICAEW has long supported the maintenance of cross-jurisdictional consistency in auditing standards, including the minimisation of local pluses, which helps prevent costs and inefficiencies associated with regulatory fragmentation. ICAEW acknowledges the role played by the FRC in driving the international agenda and, in particular, the 2019 and 2021 revisions to ISAs (UK) 240 and 570 which went beyond the international equivalents at the time.
2. Beyond jurisdictional alignment, adopting the international standard will enhance auditors' understanding of how technology may be leveraged to facilitate fraud-related audit work, improve the quality of discussions of fraud matters during engagement team meetings, and reinforce the exercise of professional scepticism throughout the performance of the audit.

PROPOSED ISA (UK) 570 PARA. 34(B)

3. Key among our limited concerns, however, are the UK-specific provisions of proposed para. 34(b) of ISA (UK) 570, and how they will impact the reporting of close calls going forward. In the proposed UK version, the international requirement for auditors of listed entities to explain their evaluation of management's going concern assessment in the going concern section of the auditor's report only where *significant judgement* has been applied in concluding that there is no material uncertainty, has been removed. Compounding this, proposed ISA (UK) 701 states that going concern reporting – even where going concern is a key judgement – must be included in the going concern section of the report.
4. This effectively means that, where UK auditors of listed entities, public interest entities (PIEs), and entities applying the UK Corporate Governance Code may currently report a close call as a Key Audit Matter (KAM) within the KAMs section, in future they will report it in the same section in which they describe how they evaluated management's assessment, where going concern is not a key judgement. This does not give sufficient prominence to close call situations.
5. The FRC should consider how to resolve this. ISA (UK) 570 could deviate from the international standard in this respect by allowing going concern matters requiring significant management judgement to be included within the KAMs section of the auditor's report. This option, however, would not resolve the issue for large private companies whose auditors are not required to apply the requirements of ISA (UK) 701. Nor would auditors applying ISA (UK) 701 be mandated to include such KAMs in any case. ICAEW strongly supports international consistency, and it is our preference that ISA (UK) 570 simply follows the international standard with UK-specific material being removed.

LINKAGES BETWEEN ISA (UK) 240 AND ISA (UK) 701

6. We were pleased to see the proposal to move the UK-specific requirement for the explanation of the extent to which the audit was capable of detecting irregularities, including fraud, to ISA (UK) 701, and to limit its scope to the audits of PIEs and listed entities. This requirement, introduced in 2021 has, predictably, led to extensive boilerplate in auditor's reports.
7. However, the overlap between this requirement and the proposed requirement for auditors to determine matters communicated with those charged with governance related to fraud to be included as KAMs – also applicable to PIE and listed entity audits – is likely to lead to confusion and inconsistency, as well as more boilerplate. It is hard to avoid the conclusion that these requirements as they stand are very likely to lead to more clutter in the auditor's report, not less.
8. Although we appreciate that this requirement originally derives from an EU Audit Regulation, we encourage the FRC to seek to remove it for *all* entities, whether PIEs, listed entities, or otherwise. Any matter having a significant impact on the audit effort would be reported under the KAMs section of the report and we see no reason to treat fraud or irregularity any differently.
9. Although important, many of the audit procedures applied in relation to fraud and irregularities (such as journal entry work) are similar across different audits and therefore describing such responsibilities can be achieved via a link in auditor's reports to a description on an FRC webpage. Only where a specific fraud-related issue meets the definition of a KAM should it be communicated in detail in the auditor's report. This would align with the FRC's aim in revising the auditor reporting standards to simplify the auditor's report and encourage the inclusion of more relevant information.
10. We did not support the IAASB's original proposal for auditors to determine matters communicated with those charged with governance related to fraud to be included as KAMs in the auditor's report with an appropriate subheading that clearly describes that the matter relates to fraud. Nevertheless, we believe that alignment with international standards is a priority for the FRC and therefore support the inclusion of this requirement in ISA (UK) 240 (paras. 60 – 62). UK-specific guidance on reporting fraud-related KAMs would, however, be useful.
11. While we support international alignment, we do not believe that proposed para. A180 appropriately reflects the underlying requirements of paras. 60 – 62. If matters that are reported as KAMs are those that 'required significant auditor attention' (proposed para. 60) and 'were of most significance in the audit' (proposed para. 61), it makes little sense to assert that 'it may be rare that the auditor of a complete set of general-purpose financial statements of a listed entity would not determine at least one key audit matter related to fraud'. We do not agree that a fraud-related KAM is likely to be warranted in virtually every set of general-purpose listed company financial statements. It is important that FRC inspectors do not treat this paragraph as a *de facto* requirement, which would add boilerplate and clutter to listed company auditor's reports. The FRC should make explicit that it is not their intention that auditors should always seek to find a fraud KAM if there is genuinely nothing of substance to report.

MATCHING MANAGEMENT'S ASSESSMENT PERIOD: EXTANT PARA. 13-1, ISA (UK) 570

12. Para. 13-1 of extant ISA (UK) 570 contains the important UK-specific requirement for the auditor's evaluation of going concern to cover the same period as that used by management. While this is implicit in para. 6 of the proposed standard, we believe that it is important for the explicit requirement in extant para.13-1 to be retained. Extensions by management of the standard 12 months from approval of the financial statements to 15 months are more common than they once were for a variety of reasons. It is therefore important that both auditors and management are clear about the need for matching, while retaining para. 14-1 which is now embedded in the international standard.

DISMISSING THE COST

13. Although we support international alignment and agree that the proposals will not 'result in a material change in auditor work effort', this does not mean that they will be cost-free. While the FRC recognises additional costs for auditors, cost considerations are presented at the end of the consultation document (point 39), are described as 'limited', and do not mention the cost to businesses. The accompanying FRC webinar on 4 November 2025 was similarly dismissive about concerns expressed by delegates about cost. We understand the need for the FRC not to be seen to be creating additional cost for businesses, but a prolonged narrative to the effect that substantial improvements to audit quality can be achieved with little more than improved auditor efficiency lacks credibility.
14. That is not to say that revisions to auditing standards are not worthwhile. With regard to this consultation, for instance, we believe that the benefits outweigh the costs. However, any revisions, no matter how limited, take time, effort, and expense to bed into firms' processes, methodologies, and training programmes. These resources are not and should not be treated by the FRC as inconsequential, particularly given the relatively recent (2019 and 2021) FRC-led need for firms to revisit their approach to going concern and fraud.
15. We urge the FRC to be more realistic and transparent about cost and auditor work effort implications when changes to auditing standards are proposed going forward.

ISA (UK) 240

Question 1: Do you agree that ISA (UK) 240 (Revised May 2021) and other ISAs (UK) should be revised to adopt the revisions to the underlying international standard and the related conforming amendments to other ISAs? If not, please indicate why and explain what actions, if any, that you believe should be taken.

16. Yes. ICAEW agrees that UK ISAs should be as aligned to the maximum extent possible with international standards to ensure that audits are consistent and comparable across jurisdictions. Fraud is a global issue, and it is important that both local and international standards evolve to address its challenges collectively. The UK is a pioneer in this regard, revising ISA (UK) 240 back in 2021. Many of the changes made by the IAASB in 2024 reflect the 2021 UK revisions.

KEY AUDIT MATTERS RELATED TO FRAUD

17. International alignment is important, but we disagreed in our [response](#) to the IAASB's consultation on ISA 240, with the inclusion of a requirement for the auditor to determine matters related to fraud to be included as KAMs in auditor's reports, and to use an appropriate subheading. Although ICAEW supported and continues to support enhanced transparency in the auditor's report where matters communicated are of demonstrable benefit to financial statement users and serve the public interest, this revision singled fraud out as having particular importance over other matters which may arguably be more important to users.

18. The audit opinion is not a fraud opinion, and the FRC should avoid implying that auditors have distinct or special responsibilities to detect or guard against fraud, which is first and foremost the responsibility of management.

19. Proposed para. A180 of the application material states that 'it may be rare that the auditor of a complete set of general-purpose financial statements of a listed entity would not determine at least one key audit matter related to fraud.' Although we acknowledge that this paragraph is not a UK 'plus', it implies, without justification, and without actually going so far as to say so, that there should always be a KAM related to fraud. We do not agree that a fraud-related KAM is virtually always warranted for a listed entity. Some auditors will, as a result of this paragraph, 'find' one, even if there is nothing of substance to report, to avoid regulatory challenge. This will lead to the very clutter and boilerplate which the FRC is attempting to discourage through its [proposed revisions](#) to the ISA (UK) 700 series. It will also lead to less confidence in KAM reporting more widely. If history is not to judge the FRC guilty of removing clutter with one hand and putting it back with another, it is critical that FRC inspectors do not treat this IAASB-approved paragraph as a *de facto* requirement, and the FRC should explicitly state that it is not expected that there should always be a fraud KAM to communicate.

20. Although we agree that, for the sake of international alignment, paras. 60 – 62 and A180 should be adopted in the UK, the UK-specific requirement retained for PIE and listed entity auditors within proposed ISA (UK) 701 to communicate to what extent the audit was capable of detecting irregularities, including fraud, is of questionable value.

21. We acknowledge that this requirement, originally introduced into ISA (UK) 240 in 2016, was added in response to an EU Audit Regulation. However, requiring auditors to communicate similar information both as a KAM in its own right (as per paras. 60 – 62 of proposed ISA (UK) 240) and in another section dealing more broadly with fraud and other irregularities (as per para. 16-1 of proposed ISA (UK) 701) will lead to duplication. In addition, the extant requirement in ISA (UK) 240 has led to widespread boilerplate. We applaud the FRC's move to remove the requirement for many entities. However, we recommend its complete removal.

22. Any specific matter related to fraud requiring significant auditor attention should be communicated via KAMs, including the accompanying audit procedures explaining how the risk was addressed. Many of these procedures, such as journal entry testing, are key

components of how an audit can be considered capable of detecting irregularities, including fraud. They are also similarly applied across most audits. This does not mean that they are not important. However, they do add unnecessary clutter to auditor's reports when such uniform information can easily be conveyed via a link to an FRC webpage.

FORENSIC SKILLS AND SPECIALISTS

23. The extant UK standard refers to forensic skills and specialists more than the pre-2024 international standard (three references versus one). ICAEW raised significant concerns in its 2021 response to the FRC's proposed revisions to ISA (UK) 240 about the risk of raising expectations for smaller firms who simply do not have a ready supply of forensic specialists they can call on. The pool of forensic specialists remains very small, and their use largely limited to the largest and most complex of audits – not least because of their cost. To align with the revised international standard, which we support, the UK standard will have 12 references in total in the application material.
24. When discussing the proposed revised international standard in 2024, many SMPs expressed concerns that the excessive references to forensics only reinforced their view that the ISAs are designed for the larger and more complex audits. We note that one of the emerging findings from the FRC's 2025 [SME Audit Market Study Emerging Findings](#) was that many stakeholders 'perceive a lack of scalability and proportionality in auditing standards'. These references will amplify that perception. It is therefore important that unrealistic expectations are not allowed to develop about the use of such experts. In the absence of the FRC adopting the ISA for LCE, this issue should be addressed in the PN for smaller and less complex audits which should make it clear that forensic experts are not the first nor only route available to auditors, even when the risk of fraud is raised. Alternative procedures such as consulting with other auditors with experience of corporate fraud should be highlighted.

FRAUD, SUSPECTED FRAUD, AND CLEARLY INCONSEQUENTIAL FRAUD

25. The IAASB states that 'the auditor cannot make a determination [of whether fraud or suspected fraud is material without going through] the relevant procedures set out in paragraphs 55 – 58.' ([2025 Basis for Conclusions](#)). A threshold was introduced allowing the auditor to 'exclude from further consideration those instances of fraud or suspected fraud that are clearly inconsequential, provided [that the steps in para. 55 are taken].' This threshold has also been introduced into the proposed revised UK standard. However, the quality of examples of clearly inconsequential fraud provided in paras. A162 and A196 is poor. Systematic purchase invoice fraud and stock shrinkage are both very common and better-quality examples dealing with situations in which both might be considered 'clearly inconsequential' and in which they might not, would be helpful for both auditors and FRC inspectors. It would also be helpful to clarify the nature and extent of work required where there is evidence of error in directors' expense claims. Such examples take time and effort to produce but they would be more helpful than the existing examples.
26. Similar language referencing 'clearly inconsequential' non-compliance is used in ISA (UK) 250 (para. 23). The use of similar terminology in distinct contexts could lead to confusion and misapplication of both ISAs. The FRC should be clear about what such terms mean in each situation. Again, better-quality examples would aid understanding

PROFESSIONAL SCEPTICISM

27. Although we agree that professional scepticism is a fundamental aspect of a high-quality audit, we did not agree with the IAASB's removal of the reference to the auditor's ability to accept records as genuine unless they believe the contrary (extant para. 14). While this has been retained in the application material to ISA (UK) 200, we continue to believe that it also properly belongs in the fraud standard as professional scepticism (and the limits thereto) are central to the auditor's responsibilities relating to fraud. To implicitly or explicitly expect audit teams to treat every document as potentially fraudulent would both

significantly increase auditor work effort and audit cost and blur the boundaries between a financial statement audit and a forensic audit. The FRC should make clear that this is not their intention and include a clear UK-specific cross-reference to the relevant section within ISA (UK) 200.

28. The specific concerns highlighted above aside, we believe that proposed ISA (UK) 240 is an improvement on both the pre-2024 international standard and the 2021 UK standard. For instance:

- We appreciate the additional application material (paras. A9, A36, A41, A56, A66, A126, and A128) which describes how auditors may leverage technology to enhance the quality of their fraud-related procedures.
- We agree that the removal of the reference to the auditor not relying on preconceptions based on past experience of the honesty and integrity of management (extant para. 13) as well as the emphasis on maintaining professional scepticism towards the end of the audit (para. A29) will enhance the auditor's application of professional scepticism.
- We believe that the even greater clarification of the fraud-related considerations to be taken into account during the engagement team discussion (matters which had already been clarified to a certain extent by the extant UK standard) will enrich the dialogue between participants of the meeting.

Question 2: If you agree that the ISAs (UK) should be revised to adopt ISA 240 (Revised) and conforming amendments, do you agree that the limited UK supplementary material retained from the extant ISA (UK) and included in the exposure draft is sufficient? If not, please provide reasoning and explain what additional supplementary material you believe should be included.

29. We agree that the UK-specific requirements within proposed para. 56-1 and proposed para. 32-1 and references to requirements under ISA (UK) 250 Section A and Section B should be retained. We are also pleased to see that the extant UK-specific prohibition on tipping off the entity will be retained in the revised standard (para. A195-1). Its omission in the international standard was an issue we raised in our [2024 consultation response](#) with the IAASB.

30. However, we note that the references to post-closing journal entries in extant para. 33(a) and para. A45 (which were UK-specific additions) have been removed in the proposed UK standard. There is a history of frauds involving fraudulent journal entries that were subsequently reversed in the weeks and months post-closure. Auditor attention should be drawn to this particular period. We recommend that the FRC retain this UK-specific addition.

Question 3: Is the proposed effective date, 15 December 2026, which is consistent with the effective date of the IAASB's revised ISA, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

31. Yes.

ISA (UK) 570

Question 4: Do you agree that ISA (UK) 570 (Revised September 2019) and other ISAs (UK) should be revised to adopt the revisions to the underlying international standard and the related conforming amendments to other ISAs? If not, please indicate why and explain what actions, if any, that you believe should be taken.

32. ICAEW supports international alignment. We broadly supported the FRC's proposed 2019 revisions to ISA (UK) 570, which served as a template for many of the [IAASB's 2024 revisions](#) to the international standard. We therefore agree that most of the proposed revisions that the FRC is contemplating will not have a significant impact on UK auditors' work on going concern. That does not, however, mean that there will be no impact at all, or that the impact will be cost-free.

33. We agree with the following revisions:

- Relocation of the extant requirement in para. 16-1 to the application material. We agree that the underlying requirement is already set out within ISA (UK) 720 and is not necessary to repeat within the requirements of the going concern standard.
- Removal of the requirement to include a statement in the auditor's report about whether the auditor has anything material to add or draw attention to in relation to disclosures required by the UK Corporate Governance Code (extant paras. 24-1 – 24-2). We agree that this adds unnecessary clutter to the auditor's report without substantively improving the understanding of financial statement users.

34. As noted in our **Key Points above**, we have significant concerns about proposed para.

34(b). In our view, UK auditors of listed entities, PIEs, and entities applying the UK Corporate Governance Code will have no mechanism under the proposed requirement by which they may call sufficient attention to close call situations.

35. The international standard allows auditors of listed entities to draw attention to close calls by requiring them to describe within the going concern section of the auditor's report how they evaluated management's assessment of the entity's ability to continue as a going concern only when *significant judgements* are made in reaching the conclusion that there is no material uncertainty. This conditional provision does not appear in the proposed UK standard, meaning that UK auditors must report close calls and non-close call situations in the same place and in the same way (the going concern section).

36. There are two options to resolve this issue. One is for the UK standard to allow auditors to report close calls within the KAMs section of the audit report, as is currently the case. Alternatively, the FRC could simply follow the international standard. ICAEW prefers the latter because:

- Large private company auditors are not required to report close calls under ISA (UK) 701;
- Even auditors that do report KAMs are not mandated to include them if they judge them to not meet the definition; and
- International alignment (with minimal local pluses) is the best option wherever possible.

37. However the FRC proceeds, we believe that updated FRC auditor's report Bulletins are needed. This will help illustrate what the FRC expects close call reporting in UK auditor's reports to look like.

38. We also note a mismatch between the entities to which particular considerations apply per paras. 1 and A2 (listed entities only), and proposed para. 34(b). The FRC proposes to bring PIEs, entities applying the Corporate Governance Code, and entities subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 into the scope of UK para. 34(b). If the FRC opts to simply adopt the international wording of paragraph 34(b)

(as suggested as ICAEW's preferred alternative above), this internal inconsistency would also be removed. The additional entities the FRC proposes to include within the scope of UK para. 34(b) may temporarily fall out of scope. However, this issue will be resolved once the IAASB's Listed Entity and PIE Track 2 amendments are incorporated into the standard.

Question 5: If you agree that the ISAs (UK) should be revised to adopt ISA 570 (Revised 2024) and conforming amendments, do you agree that the limited UK supplementary material retained from the extant ISA (UK) and included in the exposure draft is sufficient? If not, please provide reasoning and explain what additional supplementary material you believe should be included.

39. We believe that extant para. 13-1 should also be retained in the proposed revised standard. The auditor's going concern assessment period should match that of the directors. If the directors foresee and include consideration of an event which might cast doubt on the going concern status of the entity in their related assessment and disclosures, but only anticipate this to occur in, say, fifteen months from the approval of the current year financial statements, it would make little sense for the auditor not to consider it too, even if this goes beyond the 'twelve months from the date of approval of the financial statements' (proposed para. 21). It is therefore also important that para. 14-1 is retained.
40. Proposed paras. 6 and A48 imply that auditors should be extending their going assessment period to match that of the directors, but we believe that this responsibility is so fundamental to an audit of financial statements that it should be made explicit within the requirements themselves.
41. The consultation document makes no mention of the withdrawal, or of the withdrawn references to post-closing journals in extant paras. 33(a) and A45 of ISA (UK) 240. We appreciate that marked up drafts may have been less decipherable in this case, but we are concerned that the FRC did not highlight these proposed withdrawals, and urge it to be more mindful of respondents' efforts to assist the FRC by aiming for higher levels of transparency going forward.
42. Other than the above points, we agree that the proposed retained UK supplementary material is sufficient.

Question 6: Is the proposed effective date, 15 December 2026, which is consistent with the effective date of the IAASB's revised ISA, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate

43. Yes.