

Maintenance of the ISA for LCE¹ – Issues Paper

Objective

The objective of the discussion in September 2025 is to:

- Confirm the IAASB's approach to the maintenance of the ISA for LCE;
- Obtain the Board's views on developing a proposed framework to guide the maintenance of the ISA for LCE overall; and
- Obtain the Board's views on the nature of individual maintenance project proposals to undertake such maintenance projects.

Introduction

Background

1. In September 2023, the International Auditing and Assurance Standards Board (IAASB) approved the ISA for LCE as a standalone² global auditing standard designed specifically for audits of smaller and less complex businesses. The standard is effective for audits of financial statements for periods beginning on or after December 15, 2025.
2. As highlighted in the [Strategy and Work Plan for 2024–2027](#), the IAASB is committed to maintaining the ISA for LCE and agreed to having an initial period of stability of at least three years once the standard becomes effective. The IAASB is of the view that it is important to provide stakeholders an initial period of stability that will give them time to adopt and implement the standard before introducing revisions. Therefore, the first revision to the ISA for LCE would not become effective before December 15, 2028.
3. Since the approval of the ISA for LCE, the IAASB has approved:
 - ISA 240 (Revised);³ and
 - ISA 570 (Revised 2024).⁴
 - The narrow scope amendments to the ISAs as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code.⁵

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

² The term "standalone" in the context of the ISA for LCE means that the standard includes all requirements necessary for the auditors to obtain reasonable assurance. It also means that it does not require any other IAASB engagement standards to be applied with the ISA for LCE. Specifically, the standard is separate from the ISAs and there is no direct reference back to the requirements or application materials in the ISAs in its application.

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

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

⁵ The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

In September 2025, the IAASB is also expected to approve the narrow scope amendments to IAASB Standards arising from the IESBA's using the work of an external expert project.

4. In order to have revisions to the ISA for LCE effective for periods beginning on December 15, 2028, the Project Team commenced its work on the maintenance of the ISA for LCE in Q3 2025.

Materials Presented

5. This paper sets out the following:
 - **Part A:** Approach to maintaining the ISA for LCE.
 - **Part B:** Operationalizing the maintenance of the ISA for LCE.
 - **Part C:** Presentation of the maintenance project proposal.
 - **Part D:** Way forward.
6. This agenda item includes the following appendices and other agenda items:

Appendix 1	Overview of the Project Team
Appendix 2	Illustrative Timelines of a Maintenance Project

Part A: Approach to Maintaining the ISA for LCE

7. In the June 2024 Executive Session, the IAASB Staff presented its plan for maintaining the ISA for LCE after the initial period of stability. When discussing the approach for maintaining the ISA for LCE, the IAASB reflected on the responses received to the maintenance question of the Exposure Draft of the ISA for LCE (ED-ISA for LCE) as well as the approach taken by the IFRS Foundation for revising the IFRS for SMEs.⁶

Responses to the ED-ISA for LCE

8. The IAASB Staff considered the responses to the ED-ISA for LCE, where respondents suggested three possible ways forward with respect to the timing of maintenance to the ISA for LCE:
 - *Align revisions to the ISA for LCE with revisions to the ISAs.* Respondents supporting this approach noted the importance of having consistency between the ISAs and the ISA for LCE and were of the view that the timing of revisions to the ISAs and the ISA for LCE should be aligned. Respondents noted that discrepancies between the two standards could lead to confusion as well as operational problems and difficulties when transitioning to ISAs is required. In addition, respondents noted that if the ISA for LCE is “outdated” compared to the ISAs, stakeholders may perceive an audit performed under the ISA for LCE as lower quality, impacting the adoption of the standard. However, respondents cautioned the IAASB to consider carefully the changes to the ISAs and how they are relevant to the audits of less complex entities, to avoid increasing the length and complexity of the ISA for LCE.
 - *Revise the ISA for LCE periodically.* Respondents supporting this approach were of the view that providing a stable platform is important for stakeholders given the efforts needed to update

⁶ The IFRS for Small and Medium-sized Entities Accounting Standard (herein referred to as the IFRS for SMEs)

methodologies and educate auditors. Respondents also noted that the ISA for LCE is a standalone standard and therefore does not need to be closely aligned with the ISAs.

- *Only revise the ISA for LCE when needed.* Certain respondents were of the view that the IAASB revises the ISA for LCE only when urgent matters related to LCEs are being raised by stakeholders.

The IFRS for SMEs Maintenance Approach

9. Given the similarities of the relationships between the ISAs and the ISA for LCE and the IFRS Accounting Standards and the IFRS for SMEs, Staff also reflected on the different approaches that were considered by the International Accounting Standards Board (IASB) with regards to the maintenance of the IFRS for SMEs. In doing so, Staff considered an article written by Darrel Scott who was at the time a Board member of the IASB: [Second comprehensive review of the IFRS for SMEs Standard](#). In this article, the IASB considered two possible approaches to the revisions to the IFRS for SMEs: (i) the simplified IFRS Accounting Standard approach and (ii) the independent standard approach.
10. Under the simplified IFRS Accounting Standard approach, the IFRS for SMEs is treated as a condensed and simplified version of the IFRS Accounting Standards. All recognition and measurement principles from IFRS Accounting Standards would be reflected in the IFRS for SMEs. Under this approach, the IASB would consider for all revised requirements of IFRS Accounting Standards whether they need to be included or modified, using three alignment principles:
 - Relevance of the requirement – determine whether a change to IFRS Accounting Standards is relevant to the financial statements of a typical SME and whether any additional information provided in an entity's financial statements in accordance with those amendments is useful;
 - Simplification – consider whether a principle in full IFRS Accounting Standards can be applied in a simpler way; and
 - Faithful representation – consider whether, applying the simplified IFRS Accounting Standard approach, the outcome would faithfully represent in words and numbers the activities of an SME in its financial statements.
11. Proponents of the simplified IFRS Accounting Standard approach argue that this approach benefits from the experience gained during the development of the IFRS Accounting Standards, is consistent with the expectation that the IFRS for SMEs is a simplified version of the IFRS Accounting Standards and considers the specific characteristics of a SME.
12. Under the independent standard approach, the IFRS for SMEs is viewed as an independent standard. When applying this approach, changes to requirements in the IFRS for SMEs would originate from direct input about the needs of users of SMEs' financial statements and preparers' resources, and without any reference to developments in full IFRS Accounting Standards. Any differences between the IFRS for SMEs and full IFRS Accounting Standards would be expected to widen over time.
13. Proponents of the independent standard approach argue that the IFRS for SMEs should only be updated for specific issues arising from the application of the standard.
14. The IASB agreed to use the simplified IFRS Accounting Standard approach.

IAASB Discussion in June 2024

15. During its discussion in the Executive Session in June 2024, the Board agreed that the ISA for LCE must remain up to date and, to the greatest extent possible, consistent with the ISAs, while recognizing that the ISA for LCE is designed to be proportionate to the typical nature and circumstances of an audit of an LCE and, therefore, does not address complex matters or circumstances. The Board reflected on the fact that both the ISAs and the ISA for LCE enable the auditor to obtain the same level of assurance; reasonable assurance. Accordingly, the work performed by an auditor under the ISA for LCE should continue to be based on the core ISA requirements and concepts.
16. Given the importance for the ISA for LCE to remain consistent with the ISAs, the Board reflected on an approach where the basis for the maintenance would be the revised or new ISAs. This approach benefits from the discussions and decisions made by the Board when developing solutions to the public interest issues in new or revised ISAs. It also promotes alignment between the ISA for LCE and the full ISAs, reducing the risk of a widening gap between the ISAs and the ISA for LCE. This approach also allows for amending the ISA revisions for proportionality and applying the other ISA for LCE design principles that were used during the initial development of the ISA for LCE.
17. In addition, the IAASB discussed the timeline that the maintenance of the ISA for LCE should follow. The IAASB considered:
 - Revising the ISA for LCE simultaneously with the revision of the related ISA. This option enables the alignment of the effective dates of the revisions to the ISA and the ISA for LCE but there is a risk that the IAASB will be duplicating its deliberations on certain issues as both standards are developing solutions for the similar issues and have consultations that are closely together.
 - Starting with the maintenance of the ISA for LCE when the revision to the ISA is almost finalized. This option allows the maintenance team to leverage the solutions developed during the revisions to the underlying ISA and would avoid redebating issues. Given that the solutions would be already largely developed, revisions to the ISA for LCE would be more focused on applying the design principles for the requirements and essential explanatory material of the ISA for LCE and the timeline for maintenance can also be reduced. However, this option would generally result in a one-year-later effective date for the revisions to the ISA for LCE compared to the equivalent revisions in the ISA.
18. On balance, the IAASB concluded that the benefits for commencing the maintenance of the ISA for LCE when the revisions to the ISA are almost finalized outweigh the benefit for aligning the effective dates of the revisions. In making its decisions, the IAASB considered that the gap between the effective dates will be limited and that this time may be used by auditors of LCEs to prepare for the upcoming revisions.

Matters for IAASB Consideration:

1. Taking into account that the discussion in June 2024 was in Executive Session, the Board is asked to confirm the agreed approach to maintaining the ISA for LCE as set out in **Part A**, paragraphs 15–19.

Part B: Operationalizing the Maintenance of the ISA for LCE

19. The Project Team reflected on how to operationalize the maintenance approach in **Part A**. In doing so the Project Team discussed the following matters:

- **Framework for maintaining the ISA for LCE.** Given that the ISA for LCE will be revised on a regular basis to keep up to date and, to the greatest extent possible, consistent with the ISAs, the Project Team considered the need to develop a framework that will explain the approach and the key principles for revising the ISA for LCE. The framework will provide clarity to stakeholders on the process and having a formalized process will ensure consistency.
- **Content of a maintenance project proposal.** The Project Team considered what should be included in a maintenance project proposal for the maintenance of the ISA for LCE, in particular when describing the project objectives and public interest issues and actions.

Framework for Maintaining the ISA for LCE

20. The Project Team discussed the components to be included in the framework for the maintenance of the ISA for LCE. In doing so, the Project Team took into account the [IAASB Framework for Activities](#) as it sets out how the IAASB undertakes its work and was informed by the context provided in **Part A** and insights obtained from the activities undertaken in **Appendix 1**.
21. The Project Team proposes that the maintenance framework describes why and how the ISA for LCE was initially developed and is based on the maintenance approach as set out in **Part A** (see paragraphs 15–18 above), with the following structure and layout:
 - Context for maintaining the ISA for LCE;
 - Purpose of such maintenance;
 - Description of maintenance projects;
 - Process for activities;
 - Responsibility and actions;
 - Outputs; and
 - Timing.
22. The Project Team plans to develop an overarching framework for the maintenance of the ISA for LCE. This will be presented and discussed by the Board in due course.

Context for Maintaining the ISA for LCE

23. This section will provide information on how the IAASB identifies the need to revise the ISA for LCE. As explained in paragraphs 15–16 above, the ISA for LCE must remain up to date and, to the greatest extent possible, consistent with the ISAs and therefore any revisions to the ISAs will be analyzed to determine whether they warrant changes to the ISA for LCE and, if so, a maintenance project proposal will be developed.
24. In addition, the Project Team recognizes that the IAASB may identify other areas in the ISA for LCE that require changes based on information-gathering activities (e.g., a post-implementation review, or feedback from outreach on changes in the environment or the changing needs of stakeholders) that the Board may undertake. In these cases, the ISA for LCE may be updated for these matters.

Purpose of the Maintenance of the ISA for LCE

25. This section will explain the purpose for maintaining the ISA for LCE (i.e., to achieve alignment, in a proportionate way, to the ISAs). This section will also set out the design principles that will be adhered to when maintaining the ISA for LCE.

Description of Maintenance Projects

26. This section will highlight the key elements to a revision of the standard as included in the [Due Process and Public Interest Framework Operating Procedures](#). This includes the development of a maintenance project proposal, an exposure draft, development of changes to address comments received on exposure and finalization of the standard, as well as information-gathering and outreach activities to inform the project throughout.

Process for Activities

27. This section will indicate the steps that the project team will take during the course of an individual maintenance project. Amongst other things, this section will include information on how the project team will determine if a public interest issue identified in an ISA project is relevant to the ISA for LCE and how the project team will leverage the solutions developed in the ISA project when addressing the public interest issues in the ISA for LCE. The framework will explain that, in doing so, the IAASB will:
- Consider the relevance of the public interest issues that were addressed during the development of the revised or new ISA(s), for the ISA for LCE;
 - Develop, based on the approach taken in the revised or new ISA(s), a solution to address the issues in a manner that is proportionate in the context of the ISA for LCE; and
 - Determine whether the proposed solution achieves the project objectives and thereby maintain the ISA for LCE in enabling auditors to obtain reasonable assurance for engagements for which the standard has been designed.
28. It will also explain, generally, the approach to engaging with stakeholders.

Responsibility and Actions

29. This section will describe the resources allocated to an individual maintenance project and the key responsibilities of the project team.

Outputs

30. This section will describe the outputs of an individual maintenance project (i.e., a revised version of the ISA for LCE).

Timing

31. The section will describe that the maintenance of the ISA for LCE will commence when the revised or new ISA is almost finalized (see paragraphs 17–18 above). It will also explain that the time to revise the ISA for LCE will be shorter than for the development of a revised or new ISA given that the revision leverages the solutions discussed and agreed during the development of the underlying ISA and would avoid redebating issues.

32. This section will also explain that the effective date of the revision to the ISA for LCE will generally be a year after the effective date of the revision to the ISAs (however, there may be circumstances arising in the environment or with respect to specific projects that may require adjustments to the timeline). The Project Team included in **Appendix 2** illustrative timelines of how this may be achieved.

Matters for IAASB Consideration:

2. Does the IAASB agree with the development of a maintenance framework for the ISA for LCE and the proposed structure and layout of such framework?
3. Are there any other matters to be considered for inclusion in the maintenance framework?

Content of a Maintenance Project Proposal

33. The Project Team discussed what should be included in the maintenance project proposal and determine that the following aspects warranted further consideration:

- Project objectives; and
- Public interest issues and actions.

Project Objectives

34. The Project Team discussed what the project objective(s) for an individual project to maintain the ISA for LCE should be. During its discussion, the Project Team considered the following options:

- **Option 1:** Having a generic project objective that applies to all future maintenance projects and that states that the ISA for LCE should be aligned, in a proportionate way, to the ISAs.

Example

The IAASB aims to achieve, to the greatest extent possible, alignment, in a proportionate way, to the ISAs.

- **Option 2:** Having project objectives that are based, and are largely aligned, with the objectives of the project to revise or develop a new ISA.

Example

The project proposal to revise ISA 240⁷ included the following project objectives that support the public interest:

- (a) Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements.
- (b) Promote consistent behavior and facilitate effective responses to identified risks of material misstatement due to fraud through strengthening ISA 240 to establish more robust requirements and enhance and clarify application material where necessary.
- (c) Enhance ISA 240 to reinforce the importance, throughout the audit, of the appropriate exercise of professional skepticism in fraud-related audit procedures.

⁷ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

- (d) Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance and the reporting requirements in ISA 240 and other relevant ISAs.

Objectives (a)–(c) may be relevant for the purposes of the ISA for LCE. However, a part of objective (d) is to enhance the transparency on fraud related procedures related to the reporting requirements in ISA 240 and other relevant ISAs. As the IAASB decided to enhance transparency in the auditor's report by using key audit matters as per ISA 701,⁸ (a standard that mainly applies to audits of listed entities), this objective may be changed as listed entities cannot use the ISA for LCE (see paragraph A.1. of the ISA for LCE).

Project Team Views and Recommendations

35. On balance, the Project Team is of the view that option 2 would be most appropriate as this anchors each maintenance project with the objectives that support the public interest. In addition, by putting the emphasis on the objectives, it avoids the perception that revisions to the ISA for LCE will be a mechanical exercise and reinforces the message that the ISA for LCE is a standalone standard.
36. Also, the Project Team is of the view that option 1 would always apply given the Board's approach to maintaining the ISA for LCE as set out **Part A**. Also, the proposed framework for the maintenance of the ISA for LCE, discussed above, would highlight that the IAASB aims to achieve, to the greatest extent possible, alignment, in a proportionate way, to the ISAs.
37. The Project Team recognizes that the project objectives would have been discussed and agreed upon during the development of the project proposal to revise or develop a new ISA. Therefore, the Project Team is of the view that the Board will determine for each of these project objectives if they are relevant for the purpose of the maintenance of the ISA for LCE. In general, the Project Team is of the view that the project objectives of a revision to the ISA for LCE would largely align with the project objectives of the project to revise or develop a new ISA.

Public Interest Issues and Actions

38. The Project Team discussed what should be included in the scope section of a maintenance project proposal. The scope section includes the public interest issues identified and possible actions. The Project Team considered the following points:
 - The ISA for LCE was designed and drafted based on the core requirements and concepts of the ISAs. Therefore, the public interest issues that were included in the project proposal of the revised or new ISA would likely also be applicable to the ISA for LCE.
 - Given that the maintenance of the ISA for LCE commences when the revised or new ISA is almost finalized, the actions to address the public interest issues identified in the underlying ISA will have been developed, deliberated and agreed to by the Board.
39. Similarly to the project objective, the Project Team is of the view that the public interest issues included in the project proposal of the revised or new ISA will be the starting point to identify the relevant public interest issues for the ISA for LCE. The Project Team will consider all public interest issues identified in the underlying revised or new ISA and will determine its relevance in the context

⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

that the ISA for LCE is designed to be proportionate to the typical nature and circumstances of an audit of an LCE. The Project Team also intends to conduct outreach activities with stakeholders that have an interest in the ISA for LCE to obtain their views on whether an issue is relevant for the purpose of the ISA for LCE.

40. The Project Team recognizes that including proposed actions as included in the project proposal of the revised or new ISA increases the risk of re-opening discussions on matters already deliberated by the IAASB in the context of the underlying ISA. In addition, the Project Team is of the view that it is important to benefit from the experience gained during the development of the underlying ISA.
41. Therefore, the Project Team concluded that the best starting point for the proposed actions in the maintenance project proposal will not be the proposed actions as included in the project proposal of the underlying ISA, but rather the solutions discussed and agreed during the development of the underlying revised or new ISA. The Project Team proposes to include a generic statement for the actions included in a maintenance project proposal.

Example

Actions

The IAASB will:

- (a) Consider the relevance of the public interest issues that were addressed during the development of the revised or new ISA(s), for the ISA for LCE;
- (b) Develop, based on the approach taken in the revised or new ISA(s), proposed solutions to address the relevant public interest issues in a manner that is proportionate in the context of the ISA for LCE; and
- (c) Determine whether the proposed solutions achieve the project objective and thereby maintain the ISA for LCE in enabling auditors to obtain reasonable assurance for engagements for which the standard has been designed.

Matters for IAASB Consideration:

4. Does the IAASB agree with the Project Team proposal on how to address project objectives in a maintenance project proposal for the maintenance of the ISA for LCE (i.e., option 2) (see paragraphs 35–37)?
5. Does the IAASB agree with the Project Team proposal on how to address public interest issues and actions in a maintenance project proposal (see paragraphs 38–41)?
6. Are there any other matters to be taken into account for a project proposal in operationalizing the maintenance approach?

Part C: Presentation of a Maintenance Project Proposal

42. Given that the ISA for LCE will be maintained regularly in step with the development of new or revised ISAs (or when other specific matters warrant revisions), the Project Team considered a range of options on how to present a maintenance project proposal. The objective of this assessment was to identify an approach that is both effective and efficient, while ensuring transparency for stakeholders and consistency in execution. In particular, the Project Team sought to establish a model that could

be applied to future maintenance updates of the ISA for LCE—all while upholding the public interest and the distinct purpose of the ISA for LCE.

43. The Project Team evaluated the following options:

- Option 1: Developing a complete project proposal for each maintenance project of the ISA for LCE;
- Option 2: Developing a streamlined project proposal; and
- Option 3: Including the maintenance of the ISA for LCE in the project proposal for the development or revision of an ISA.

Option 1: Complete Project Proposal for Each Maintenance Project of the ISA for LCE

44. Under this option, a maintenance project proposal would be developed for each time the ISA for LCE needs to be maintained. The project proposal may include revisions from more than one completed ISA project (e.g., revisions from ISA 240 (Revised) and ISA 570 (Revised 2024) will be included in the same project proposal).
45. The project proposal would include the usual sections of an IAASB project proposal, including the relevant project objectives and relevant public interest issues (see also paragraphs 33–41 above). Therefore, the project proposal would provide detailed information about the maintenance project that the IAASB is commencing, promoting transparency to stakeholders. This approach will also ensure that all parties involved, including the Project Team, have clarity of the objective and scope of the specific maintenance project. Also, when reporting to the Public Interest Oversight Board (PIOB) for the certification of the revised ISA for LCE, this additional transparency is useful.
46. The Project Team notes that providing detailed information for each section of a traditional project proposal may not be efficient, because there may be many matters that will be duplicated from the information that was included in the project proposal for the development or revision of the underlying ISA(s). Also, the information included will become boiler plate over time.

Option 2: Streamlined Project Proposal for Each Maintenance Project of the ISA for LCE

47. As in Option 1, a maintenance project proposal would be developed for each maintenance project of the ISA for LCE, and the project proposal may include revisions from more than one completed ISA project. However, under this option, the project proposal will be streamlined by only including matters that are specific to the maintenance of the ISA for LCE (e.g., the ISA projects that are considered for the maintenance project and the timeline). For other matters, references to the project proposal of the new or revised ISAs will be included.
48. Given that the basis for the maintenance project will generally be a project to revise or develop a new ISA, the information about, for example, the context of the project, the project objectives and public interest issues will be available in the ISA project proposal. To avoid duplication, the maintenance project proposal would indicate that the project team will apply the maintenance framework (see **Part B**) to determine the relevant project objectives and public interest issues and will utilize links to the project proposals of the relevant ISA projects that are considered for the maintenance project.
49. The Project Team recognizes the need for transparency regarding the project objectives and issues that the project is addressing and therefore the project objectives and issues could be discussed through issues papers once the project has commenced.

50. However, the Project Team questions whether this approach provides enough transparency to stakeholders, specifically to stakeholders engaging primarily with the ISA for LCE, as they will need to consult the underlying ISA projects documentation to fully understand the rationale for changes. Also, it may be more difficult to evidence how due process is followed when reporting to the PIOB for the certification of the revised ISA for LCE.

Option 3: Include the Maintenance of the ISA for LCE in the Project Proposal for the Development or Revision of an ISA

51. Under this option, the project proposal of every ISA project would explicitly assess the implications of the proposed changes for the ISA for LCE.⁹ In accordance with the approach discussed in **Part A**, the maintenance of the ISA for LCE will commence once the revisions to the ISA or the new ISA, as applicable, are almost finalized.
52. The Project Team foresees some practical challenges in operationalizing this option. The Project Team questioned how each ISA project proposal could clearly articulate what is relevant to the revision of the ISA for LCE within the main project proposal. In particular, the ISA project proposal would have to:
- Distinguish between the project objectives that are applicable to the ISAs and the ones that are applicable to the ISA for LCE;
 - Distinguish between public interest issues that are applicable to the ISAs and the ones that are applicable to the ISA for LCE; and
 - Clearly describe that the proposed actions addressing the public interest issues would be focused on the ISAs and not the ISA for LCE.

In addition, considering that the maintenance of the ISA for LCE will only commence when the underlying ISA is almost finalized, there may be a need to make adjustments to the LCE component of the project proposal because of learnings from and positions taken in the development of the revised or new ISA.

53. In addition, given that a maintenance project may group several revisions of ISAs, the information regarding the maintenance project may be included in several project proposals. Therefore, this option does not provide transparency to stakeholders with regards to the scope and timeline of the revisions to the ISA for LCE. When reporting to the PIOB for the certification of the revised ISA for LCE, it will be more difficult to evidence how due process is followed.
54. However, the Project Team notes that this option may create efficiencies as the project team assigned to the revision of the ISAs would have performed extensive information-gathering activities for the purpose of the development of the project proposal and therefore have an in-depth knowledge of the issue and how they may be relevant in the context an audit of financial statements of an LCE.

⁹ The Project Team notes that a separate project proposal will still be required for recently revised ISAs, including ISA 240 (Revised), ISA 570 (Revised 2024), the narrow scope amendments to the ISAs as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code, the narrow scope amendments to IAASB Standards arising from the IESBA's using the work of an external expert project and the revisions to ISA 330, *The Auditor's Responses to Assessed Risks*, ISA 500, *Audit Evidence* and ISA 520, *Analytical Procedures* as the project proposals have previously been approved by the IAASB.

Project Team Views and Recommendations

55. The Project Team recognizes that each of the options provided have their pros and cons. In deciding which options is preferred, the Project team considered the matters as set out in paragraph 42 above (effectiveness, efficiency, transparency and consistency).
56. Weighing the pros and cons, the Project Team believes that developing a complete project proposal for each maintenance project of the ISA for LCE is the best approach (option 1). While option 1 may require additional work effort upfront, it offers clarity on the project objectives and scope, including public interest issues and actions, and therefore provides more transparency than the other options. The Project Team is of the view that providing transparency to stakeholders is of the utmost importance and the additional work effort is not significant.
57. For option 2, the Project team is of the view that the lack of specific information (i.e., relevant project objectives and public interest issues) may cause misunderstandings which may be difficult to reconcile at a later stage of the project. This may also jeopardize the expected timeline of the project.
58. For option 3, the Project Team is of the view that the practical challenges will lead to unclear project proposals and that managing the revisions and effective dates of the revisions may be too complex when the information will be located in multiple documents.

Matter for IAASB Consideration:

7. Does the IAASB agree with developing a complete project proposal for each maintenance project of the ISA for LCE (i.e., option 1)?

Part D: Way Forward

59. Taking into account the Board's direction and comments, the Project Team will present an overarching framework for maintenance project and a maintenance project proposal for the first revision of the ISA for LCE for the IAASB's approval in December 2025.

Project Team Members and Activities

Project Team Members

1. The Project Team consists of the following members:

- Isabelle Raiche
- Jasper van den Hout

Project Board Members

2. The IAASB Project Board Members are:

- Hernán Casinelli
- Greg Schollum

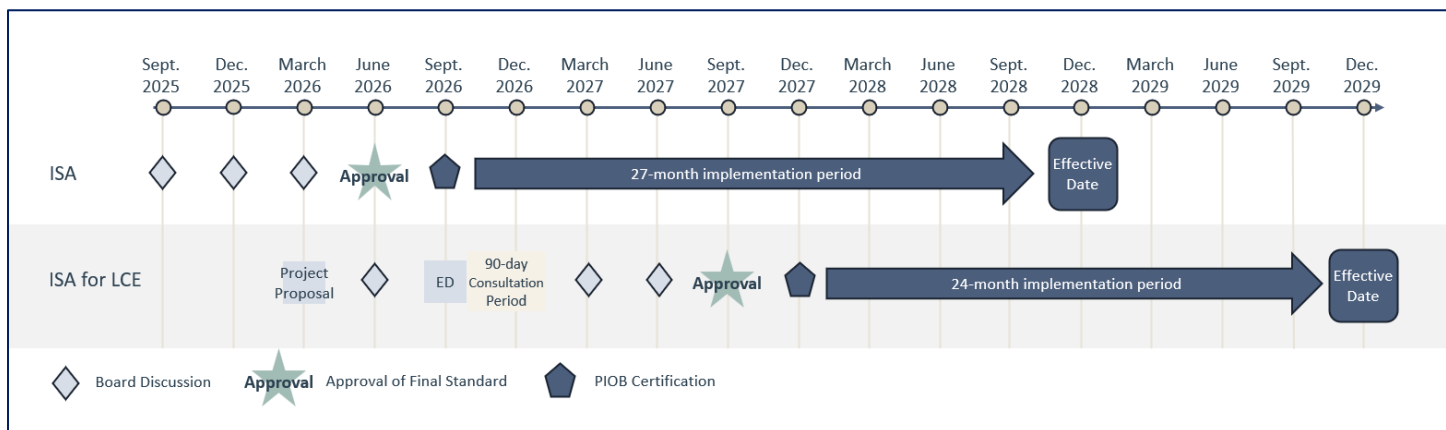
Activities in the Period

3. During the third quarter of 2025, the Project Team met with the Project Board Members twice, virtually, and had ongoing communication with them.
4. In addition, the Project Team met with Kai Morten Hagen in person, past IAASB Board Member and ISA for LCE Task Force Chair.

Appendix 2

Illustrative Timelines of a Maintenance Project

- The following timeline is presented as an illustrative representation of a typical sequence of activities for an ISA project that is expected to be approved at a June Board approval and an ISA for LCE project.



- The following timeline is presented as an illustrative representation of a typical sequence of activities for an ISA project that is expected to be approved at a March Board approval and an ISA for LCE project.

