

Maintenance of the ISA for LCE¹ – Issues Paper

Objective

The objective of the discussion in December 2025 is to:

- Obtain clearance on the proposed overarching approach for the maintenance of the ISA for LCE set out in **Agenda Item 3-A**; and
- Approve the proposed project proposal for the revisions to the ISA for LCE set out in **Agenda Item 3-B**.

Request for Board Comments in Advance of Meeting

Prior to the December 2025 meeting, Board members are requested to communicate significant or editorial matters in the proposed overarching approach and the proposed project proposal to the Project Team by Thursday, December 4, 2025 close of business. This is to assist the Project Team to provide a final turnaround of the two documents by 17:30 on Wednesday, December 10, 2025, for Board clearance and approval on Thursday, December 11, 2025. All significant matters should still be raised and discussed on public record during the Board plenary session.

Approach to the Board Discussion

The Project Team will walk through the proposed overarching approach set out in **Agenda Item 3-A** and the proposed project proposal set out in **Agenda Item 3-B** and the relevant “Matters for IAASB Consideration” included in **Section II** of this paper.

Introduction

Background

1. In September 2025, the Project Team (see **Appendix 1**) presented an approach for maintaining the ISA for LCE and alternatives on how to structure a project proposal to revise the ISA for LCE. Board members offered different points of view regarding the approach for maintaining the ISA for LCE but, on balance, the Board agreed that:
 - (a) The basis for maintenance of the ISA for LCE should be the new or revised International Standards on Auditing (ISAs); and
 - (b) The maintenance of the ISA for LCE should generally commence when the revision to an ISA(s) is almost finalized.²

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

² Three Board members voiced a preference for maintenance projects to be undertaken in parallel with the specific ISA(s) project(s).

2. The Board supported the Project Team’s proposal to develop an overarching approach for maintaining the ISA for LCE, which will describe the principles to be applied and the steps to be undertaken by a maintenance project team. The Board advised the Project Team that the approach should emphasize the importance of not reopening issues and solutions already concluded in the development of the ISAs. The overarching approach document will ensure consistency in all future ISA for LCE maintenance projects and transparency to stakeholders on how the IAASB intends to revise the ISA for LCE to achieve, to the greatest extent possible, alignment, in a proportionate way, with the ISAs. The Board also advised the Project Team to keep the proposed project proposal as straightforward as possible.
3. The draft September 2025 IAASB meeting minutes are available in Agenda Item 1 on the [IAASB’s website](#). Since the September 2025 meeting, the Project Team developed a document that describes the approach for maintaining the ISA for LCE (the IAASB Approach Statement) (see **Part A** and **Agenda Item 3-A**).
4. The Project Team has also developed a proposed project proposal for the first maintenance project of the ISA for LCE, taking into account the Board’s directional input (see **Part B** and **Agenda Item 3-B**). The Project Team has circulated the proposed project proposal to senior staff of the International Ethics Standards Board for Accountants (IESBA), as required under the IAASB’s Integrated Due Process and Public Interest Framework (PIF) Operating Procedures,³ to identify matters requiring coordination between the Boards.

Materials Presented

5. This paper sets out the following:
 - (a) **Part A:** Proposed overarching approach for maintaining the ISA for LCE.
 - (b) **Part B:** Proposed project proposal for revisions to the ISA for LCE.
 - (c) **Part C:** Way forward.
6. This agenda item includes the following appendices and other agenda items:

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|------------------------|---|
| Appendix 1 | Overview of the Project Team |
| Agenda Item 3-A | Proposed Overarching Approach for Maintaining the ISA for LCE |
| Agenda Item 3-B | Proposed Project Proposal for Revisions to the ISA for LCE |

Part A: Proposed Overarching Approach for Maintaining the ISA for LCE

7. The Project Team developed an Approach Statement for maintaining the ISA for LCE which explains how the maintenance of the ISA for LCE will be operationalized by the IAASB in a manner that is both effective and efficient, while ensuring transparency for stakeholders and consistency in execution. Developing an overarching approach is important, given that the IAASB expects to revise the ISA for LCE on a regular basis to remain up to date and aligned, to the greatest extent possible, with the ISAs.

³ See ‘Due Process’ under Quick Links on the [IAASB website](#).

8. In developing the Approach Statement, the Project Team considered the directional input provided by the Board at the September 2025 IAASB meeting, including:
 - (a) Clarifying the link of the Approach Statement and the [IAASB Framework for Activities](#);
 - (b) Focusing the purpose of the maintenance of the ISA for LCE on the need for it to remain consistent with the new or revised ISA(s), recognizing that the ISA for LCE is an alternative to the ISAs, designed to be proportionate to the typical nature and circumstances of an audit of an LCE; and
 - (c) Emphasizing the importance of not reopening issues and solutions already concluded in the development of the ISA(s).
9. In addition, the Project Team refined the structure and format of the Approach Statement from what had been presented during the September 2025 IAASB meeting. In particular, the Project Team added an Introduction section to describe the type of revisions to the ISA for LCE. In addition, the Project Team decided to combine the sections related to the description of maintenance projects and the process for activities. This change was made to enhance the flow of the document and to focus on the aspects of the approach where clarity was needed.

Clarifying the Link of the Approach Statement and the IAASB Framework for Activities

10. In September 2025, the Project Team proposed to develop a “framework for maintaining the ISA for LCE.” The Project Team recognizes that the use of the term “framework” may be confusing as stakeholders may think that the maintenance of the ISA for LCE falls outside the remit of the Framework for Activities.
11. To address these concerns, the Project Team proposes to name the overarching approach the “IAASB Approach Statement”. In addition, the Project Team included a context box explaining the relationship between the Approach Statement and the Framework for Activities.

Purpose of the Maintenance of the ISA for LCE

12. The Project Team agrees with the Board that the purpose of the maintenance is to achieve, to the greatest extent possible, alignment, in a proportionate way, with the ISAs, and has included this as the “Purpose” in **Section B of Agenda Item 3-A**.

Emphasizing the Importance of Not Reopening Issues and Solutions Already Concluded in the Revised or New ISA(s)

13. The Project Team agrees that it is important not to reopen issues and solutions already concluded in the revisions to or the development of new ISA(s) and recognizes that this is the starting point for the maintenance of the ISA for LCE. The Approach Statement focuses on the relevance and proportionality of the solutions already developed for the new or revised ISA(s), taking into account the design principles of the ISA for LCE.
14. The Approach Statement describes the steps that project teams will undertake when completing a maintenance project (see **Section C of Agenda Item 3-A**). In particular, the Approach Statement explains how the project teams will leverage the solutions of the new or revised ISA(s) and the experience gained during their development (see paragraphs 11–13 of **Agenda Item 3-A**). The Approach Statement also explicitly recognizes that the maintenance process does not involve re-

debating the issues or re-evaluating the solutions developed as part of the new or revised ISA(s), as these matters have already been thoroughly considered and agreed upon by the IAASB.

Matters for IAASB Consideration:

1. The Board is asked for its input on the maintenance approach in **Agenda Item 3-A**. In particular whether the maintenance process in **Section C** reflects the appropriate steps to be undertaken by the IAASB when maintaining the ISA for LCE.

Part B: Proposed Project Proposal for Revisions to the ISA for LCE

15. The Project Team developed a proposed project proposal for the first maintenance of the ISA for LCE as a result of the following IAASB projects:
 - (a) ISA 240 (Revised);⁴
 - (b) ISA 570 (Revised 2024);⁵
 - (c) 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 *International Code of Ethics for Professional Accountants (including International Independence Standards)*; and
 - (d) The narrow scope amendments to IAASB Standards arising from the IESBA's using the work of an external expert project.
16. In developing the proposed project proposal, the Project Team considered the directional input provided by the Board at the September 2025 IAASB meeting, including how to balance the need to provide transparency to stakeholders on the maintenance project and limiting the duplication of information.
17. Board Members also emphasized the need to have a simple process for developing a project proposal for the maintenance of the ISA for LCE and to focus the project proposal on the purpose of the maintenance (i.e., to align, to the greatest extent possible, the ISA for LCE to the ISAs in a proportionate way for the revisions resulting from the ISA projects).

Balancing Transparency and Efficiency

18. At the September 2025 IAASB meeting, Board Members commented on the potential length of the project proposal given the Project Team's proposal to include information from the project proposals of ISAs in scope for the maintenance project. Board Members cautioned the Project Team that including such information may lead to re-debating the objectives and issues.
19. In addition, the Project Team is of the view that stakeholders may require additional information on why the recent revisions to the ISAs are needed in the ISA for LCE. The Project Team is of the view that the project objectives that were agreed on in the ISA project(s) may respond to these potential questions from stakeholders. For example, the first maintenance of the ISA for LCE will aim to clarify the role and responsibilities of the auditor with regards to fraud and going concern in an audit of financial statements.

⁴ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁵ ISA 570 (Revised 2024), *Going Concern*

20. The Project Team followed the Board's direction and balanced the need to provide transparency to stakeholders, while recognizing the need to keep the project proposal concise and focused. Therefore, the Project Team included the project objectives and key issues from the ISA projects in appendices. In addition, the Project Team presented the project objectives and key issues as extracts from the ISA project proposals to mitigate the risk of reopening discussion on the project objectives and key issues that have been previously agreed.
21. The project team proposes to deal with the relevance of the issues addressed during the revisions to or the development of new ISA(s), after the project proposal has been approved and to present this at the same time as drafting suggestions are presented to the Board. In **Agenda Item 12**, the Project Team included the proposed approach for doing so.

Standardization of the Project Proposal

22. The Project Team also recognizes the importance of keeping the project proposal as straightforward as possible. Although some sections of the project proposal will need to be tailored for each maintenance project (e.g., the subject section and the project timeline), the Project Team standardized other sections. This will ensure that the process for developing and approving the project proposals for the maintenance of the ISA for LCE will be as efficient as possible.
23. The Project Team identified the following sections in a project proposal that can be standardized:
 - (a) Project Objective that Supports the Public Interest. The Project Team included the overarching objective for maintaining of the ISA for LCE and a statement that: “the IAASB will consider the project objectives that were agreed on in the ISA projects in the context that the ISA for LCE has been designed to be proportionate to the typical nature and circumstances of an audit of an LCE.”
 - (b) Stakeholders' Needs. The Project Team carefully considered the qualitative standard-setting characteristics in the PIF that are of most relevance to a maintenance project. In doing so, the Project Team took into account the nature and circumstances of an audit of an LCE and the design principles of the ISA for LCE.
 - (c) Scope – Issues and Proposed Actions. As opposed to including details on the key issues and proposed actions to explore when addressing the key issues, the Project Team included a statement that “The IAASB will consider the relevance for the ISA for LCE of the key issues identified in the ISA projects and how best to incorporate the results of the related standard-setting actions of those projects into the ISA for LCE to achieve the project objectives.”

Matters for IAASB Consideration:

2. The Board is asked for its views on the proposed project proposal in **Agenda Item 3-B**, including whether there are any other matters that should be considered in finalizing the proposed project proposal?

Part C: Way Forward

24. Subject to the Board's approval of the proposed maintenance project proposal 1 (December 2025) on revisions to the ISA for LCE arising from the IAASB's projects on Fraud, Going Concern, Listed Entity and Public Interest Entity and Using the Work of an External Expert, the Project Team will progress the

proposed activities of the project.

25. At the December 2025 meeting, the Project Team will also discuss with the Board initial proposed revisions to certain parts of the ISA for LCE. See [Agenda Item 12](#) for more information.
26. For the next IAASB meeting in March 2026, the Project Team intends to present for the Board's discussion proposed revisions for all relevant parts of the ISA for LCE.

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 fourth quarter of 2025, the Project Team met with the Project Board Members twice, virtually, and had ongoing communication with them.
4. A Project Team member and IAASB Technical Advisor attended the International Federation of Accountants' Small and Medium Practices Advisory Group meeting on October 30, 2025.