

Maintenance of the ISA for LCE¹ – Issues Paper

Objective

The objective of this session is to obtain the Board's direction on:

- The process for presenting the proposed revisions to the ISA for LCE for the maintenance of the standard; and
- The drafting of selected parts of the proposed ISA for LCE, as set out in **Agenda Item 12-C**.

Introduction

1. Subject to approval of the maintenance project proposal (see [Agenda Item 3-B](#)), the Project Team (see the **Appendix**) started developing initial proposals for revisions to the ISA for LCE as further discussed in this paper.
2. For this meeting, the Project Team focused its analysis of issues that are expected to be addressed and the related drafting for the following parts and appendices of the ISA for LCE:
 - (a) Part A, *Authority of the ISA for LCE*;
 - (b) Part 1, *Fundamental Concepts, General Principles and Overarching Requirements*;
 - (c) Part 2, *Audit Evidence and Documentation*;
 - (d) Part 3, *Engagement Quality Management*;
 - (e) Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*; and
 - (f) Appendix 1, *Glossary of Terms*.

Materials Presented

3. This paper sets out the following:
 - (a) **Part A:** Operationalizing the IAASB Approach Statement.
 - (b) **Part B:** Proposed revisions to the ISA for LCE.
 - (c) **Part C:** Way forward.
4. This agenda item includes the following appendix and other agenda items:

Appendix 1	Overview of the Project Team
Agenda Item 12-A	Analysis of the Public Interest Issues
Agenda Item 12-B	Drafting Rationale

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

Agenda Item 12-C	Proposed ISA for LCE (Marked)
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Part A: Operationalizing the IAASB Approach Statement

5. Given that this is the first maintenance project of the ISA for LCE, the Project Team explored how to structure the agenda papers and different options on how to apply the following three steps, as included in IAASB Approach Statement:
 - (a) Step 1: Consider the relevance to the ISA for LCE of the public interest issues that were addressed during the development of the new or revised ISA(s);
 - (b) Step 2: Develop, based on the approach taken in the new or revised ISA(s) and using the design principles of the ISA for LCE, a solution to address the issues in a manner that is proportionate in the context of the ISA for LCE; and
 - (c) Step 3: Determine whether the proposed revisions to the ISA for LCE achieve the project objective and thereby the purpose of maintaining the standard, including to continue enabling auditors to obtain reasonable assurance in audit engagements for which the standard has been designed.
6. This section also explains how the agenda items have been organized to work together and how they are intended to be read.

Structure of the Agenda Items

7. The Project Team considered different ways to present the Project Team's proposals resulting from applying steps 1 and 2 noted in paragraph 5 above,² including the following ways:
 - (a) Individual papers for each part of the ISA for LCE.
 - (b) Individual papers for each step of the maintenance approach.

Individual Papers for Each Part of the ISA for LCE

8. The Project Team considered having an agenda paper for each part of the ISA for LCE that explains steps 1 and 2 as described in paragraph 5 above and that would explain the Project Team's views and recommendations with regards to the proposed drafting.
9. The Project Team is of the view that this option provides all information for understanding the proposed revisions to a specific part. However, the length of the papers can be long, especially for parts that will be most affected by the recent revisions to the ISAs, and there is more duplication of information.

Individual Paper for Each Step of the Maintenance Approach

10. The Project Team explored an option where the Project Team prepares one paper explaining how the first step of the maintenance approach has been completed, and another paper focusing on step 2 of the maintenance approach (see paragraph 5).

² The Board will consider step 3 noted in paragraph 5 on an ongoing basis as proposals are discussed and refined, and explicitly conclude on the achievement of the project objective when the final standard is approved.

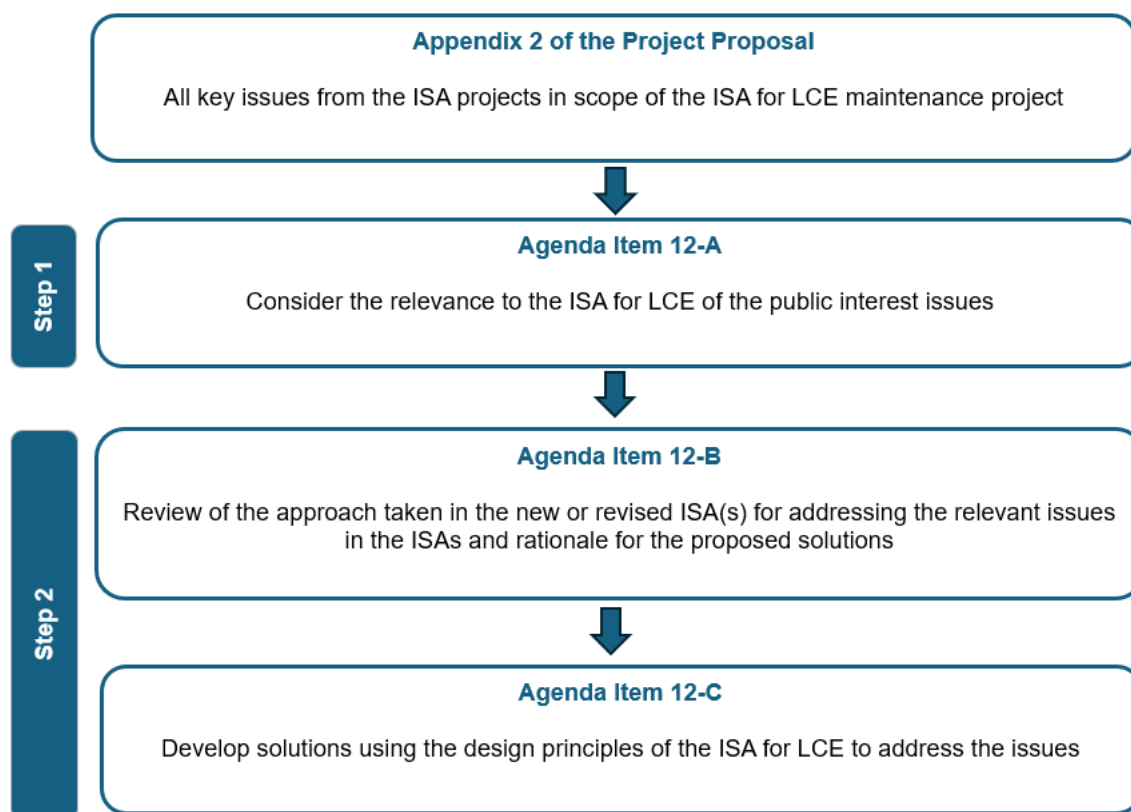
11. The Project Team is of the view that this approach limits the duplication of information and, therefore, the length of the agenda papers. However, to understand the changes made to a specific part of the ISA for LCE, the information in both documents would have to be read together.

Project Team's Views and Recommendations

12. The Project Team believes that presenting the information following the steps of the maintenance approach is easier to follow and more intuitive. In addition, the Project Team is of the view that the use of tables in each paper will help the reader to understand the thought process and conclusion of the Project Team when aligning, to the greatest extent possible, the ISA for LCE in a proportionate way, with the ISAs. To illustrate, the Project Team has applied this approach in developing initial proposals for revisions to the ISA for LCE as presented in **Agenda Items 12-A to 12-C**.

How the Agenda Items Should be Read Together

13. The Project Team prepared the diagram below to help understand how the **Agenda Items 12-A to 12-C** connect with each other and with the steps outlines in paragraph 5).



Part B: Proposed Revisions to the ISA for LCE

14. The Project Team completed the first two steps (see paragraph 5 above) of the maintenance approach for the issues that are expected to be addressed in Parts 1 to 4 and Appendix 1 of the ISA for LCE.

Step 1: Consider the Relevance of the Public Interest Issues

15. The proposed project proposal (see Appendix 2 in **Agenda Item 3-B**) includes the key public interest issues that have been addressed in the ISA projects that are in scope for this maintenance project. These issues were the starting point for the maintenance project. As set out in the proposed IAASB Approach Statement (see paragraph 8 of **Agenda Item 3-A**), the Project Team reviewed the public interest issues and considered whether these issues are relevant in the context of an audit of an LCE. In doing so, the Project Team:
- (a) Reflected on the Authority of the ISA for LCE and determined whether any of the public interest issues relate to matters that are out of scope of the ISA for LCE; and
 - (b) Reviewed feedback received from stakeholders during the development of the standards for the in-scope ISA projects (the revised ISAs).
16. The Project Team included its views and recommendations on the public interest issues in **Agenda Item 12-A**. The Project Team noted that there are no issues that would affect Parts 2 and 4 of the ISA for LCE.

Step 2: Develop a Proportionate Solution to Address the Issues

17. After identifying the relevant public interest issues to be addressed by the revisions to the ISA for LCE, the Project Team:
- (a) Analyzed how the relevant public interest issues were addressed in the development of the revised ISAs; and
 - (b) Applied the ISA for LCE's design principles to the proposed solutions developed in the revised ISAs.
18. The Project Team included its views and recommendations on incorporating the revisions to the revised ISAs in the ISA for LCE in **Agenda Item 12-B**. The related proposed drafting has been included in **Agenda Item 12-C**.

Matters for IAASB Consideration:

1. The Board is asked for their views on whether the proposed structure of the agenda items (see paragraphs 12 and 13) facilitates clear and complete information to inform the Board's discussions and decision making on proposed revisions to the ISA for LCE.
2. The Board is asked for their views on the drafting as presented in **Agenda Item 12-C**, informed by the steps applied as set out in **Agenda Items 12-A** and **12-B**.

Part C: Way Forward

19. Subsequent to the December 2025 IAASB meeting, and subject to the approval of the proposed maintenance project proposal, the Project Team will discuss the Board's feedback received during

this meeting on the process and information presented in the agenda papers, as well as updating and refining the related drafting for the proposed ISA for LCE.

20. In addition, the Project Team will develop recommendations to address the remaining issues as presented in **Agenda Item 12-A** and will present a first full draft of the proposed revised ISA for LCE to the Board in its March 2026 meeting.

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.