

International Audit and Assurance Standards Board (IAASB)

ISA for LCE Advisory Group

TERMS OF REFERENCE

January 2026

Introduction and Purpose

1. The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) is a standalone auditing standard designed specifically for audits of financial statements of smaller and less complex businesses. Built on the foundation of the International Standards on Auditing (ISAs), audits performed using this standard provide the same level of assurance for eligible audits: reasonable assurance.
2. The IAASB has established an ISA for LCE Advisory Group to advise on revisions to the ISA for LCE and the adoption and implementation of the standard. The ISA for LCE Advisory Group serves as a consultative forum for the IAASB to gather timely and relevant stakeholder input on these matters.
3. The ISA for LCE Advisory Group facilitates engagement with a target multi-stakeholder group of experts to contribute to the IAASB's standard-setting and related activities by:
 - Sharing insights, expertise, and advice with the IAASB on the expectations of stakeholders, including with respect to the adoption and implementation of the ISA for LCE.
 - Providing views on proposed revisions to the ISA for LCE and, as applicable, the practical implications of such proposals. In respect to maintenance projects of the ISA for LCE, this includes providing views on the relevance and the proportionality of the changes to new or revised ISA(s) to the typical nature and circumstances of an audit of an LCE.¹
 - Assisting the IAASB in reaching or contacting stakeholders to facilitate information gathering and outreach activities.

Organizational Structure

Membership

4. The ISA for LCE Advisory Group will consist of approximately twelve volunteer members representing different types of stakeholders (e.g., practitioners, regulators, jurisdictional standard setters, etc.) and drawn from a variety of geographical regions to ensure global representation.
5. Members of the group are expected to be familiar with the ISA for LCE and the LCE business and audit environment to be capable of discussing relevant matters in detail. Members are selected at the discretion of IAASB leadership.

¹ In addition to changes to the ISA for LCE arising from the development of new or revised ISA(s), the IAASB anticipates that revisions to the ISA for LCE will arise from monitoring and information-gathering activities. For example, post-implementation review of the ISA for LCE, ongoing monitoring of the environment, related activities of stakeholders (e.g., that of jurisdictional standard setters, policy makers, audit and assurance oversight bodies, international organizations) and feedback received from general or project-specific outreach activities, which may reveal the need for possible standard-setting action.

6. Members are appointed in an individual capacity and at meetings members are expected to express their individual views, unless it is explicitly stated that they are the opinions of the organizations they represent. Members are encouraged to reach out within their organizations and wider networks to inform their views shared at ISA for LCE Advisory Group meetings. Because members serve in a personal capacity, substitutions are not accepted.
7. Members continue to serve on the ISA for LCE Advisory Group based on mutual agreement at the time of appointment, and at least annually thereafter, between IAASB leadership and the individual member.
8. The IAASB may, at its discretion, invite individual(s) or representative(s) of an organization(s) to attend and participate in a specific meeting in which their contribution is useful to the topic under discussion. In this capacity, they participate in the ISA for LCE Advisory Group discussions on the same basis as members.

Roles and Responsibilities

9. **Members:** Members will actively participate in meetings, consider different perspectives and contribute to a free exchange of ideas in a constructive manner. Members may provide input, share views and assist as contemplated in paragraph 3. Members may also be requested to contribute to other matters related to the ISA for LCE, as appropriate.
10. **Staff:** The IAASB Staff will moderate the discussions to meet the purpose of the ISA for LCE Advisory Group, as well as participate and contribute during meetings of the group. The IAASB staff will also provide administrative support, including organizing meetings, preparing agendas, and documenting discussions.
11. **Project Board Members:** Project Board Members assigned to the maintenance of the ISA for LCE advise the ISA for LCE Advisory Group and IAASB Staff with respect to the activities of the group in meeting its purpose, as well as participating and contributing during meetings of the group.

Meetings and Exchange

12. The ISA for LCE Advisory Group will meet virtually at least semi-annually.² Ad-hoc meetings may be held upon requests for input on specific matters.
13. Meetings may typically last for approximately 2 hours and will be moderated by designated IAASB Staff. Discussions during meetings may be recorded for internal IAASB purposes only.
14. The ISA for LCE Advisory Group may leverage digital platforms (e.g., Teams) for regular exchange of information or ideas in between meetings, as appropriate.
15. Meeting agendas will be distributed in advance.
16. Meeting highlights will be circulated to all members.

² Meetings may be cancelled where no relevant activities have occurred.

Amendment or Modification of the Terms of Reference

17. IAASB Leadership may amend, modify, or update these terms of reference at its discretion, including determining when any changes will take effect and directing for the updated terms of reference to be posted on the IAASB website.