بسم الله الرحمن الرحيم

INSTITUTE OF CHARTERED ACCOUNTANTS OF THE MALDIVES

Ref: RES-C/2026/60

Council Circular Resolution on Adopting the ISA for Less Complex Entities (ISA for LCE) in the Maldives

Date: 13th October 2026

WHEREAS, under Section 2(b) of Maldives Chartered Accountants Act (No: 13/2020), Institute of Chartered Accountants of the Maldives was established as a separate legal entity charged with the responsibility of determining rules and processes required to create and develop the accountancy profession and regulate all matters pertaining to the profession;

WHEREAS, under section 6(e) of the Maldives Chartered Accountants Act, Institute of Chartered Accountants of the Maldives has the power to determine and enforce auditing standards to be adopted by the private sector;

WHEREAS, it has been resolved by the CA Maldives Council resolution number RES/2021/026 dated 23rd November 2023 to adopt International Standards on Auditing (ISAs) and other pronouncements for the private sector auditing in the Maldives, pursuant to the powers vested under section 6(e) of the Maldives Chartered Accountants Act;

WHEREAS, the International Auditing and Assurance Standards Board (IAASB) has issued the **International Standard on Auditing for Less Complex Entities (ISA for LCE)** to provide a proportionate and stand-alone auditing standard for audits of eligible less complex entities;

RESOLVED, to approve the adoption of the **International Standard on Auditing for Less Complex Entities (ISA for LCE)** in the Maldives, subject to clearly defined eligibility criteria and conditions for its application stated within the Standard;

FURTHER RESOLVED, that CA Maldives shall continue to aware, educate and provide training programmes on the Standard for auditors for effective implementation of it.

It is hereby certified by the undersigned that the Council is comprised of nine members of whom all nine, were informed and communicated on 6th October 2026, and the foregoing resolution was approved via a circular resolution by the Council of the Institute of Chartered Accountants of the Maldives in accordance with the laws governing the Institute and that the said resolution has been duly recorded in the Minute Book and is in full force and effect.

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INSTITUTE OF CHARTERED ACCOUNTANTS OF THE MALDIVES

SIGNED BY:

Mohamed Haleem Abdulla President	Ali Faris Mohamed Vice President	Hussain Niyazy Member
Fathimath Ameeza Member	Mohamed Azad Member	Ibrahim Fazeel Member
Mohamed Siraj Muneer Member	Ibrahim Shabeen Member	Ali Muaaz Member

INSTITUTE OF CHARTERED ACCOUNTANTS OF THE MALDIVES

Technical Paper: Adoption of ISA for Less Complex Entities (ISA for LCE)

1. Executive Summary

This paper outlines the rationale, key features, and regulatory considerations for adopting the International Standard on Auditing for Less Complex Entities (ISA for LCE). The standard has been developed by the IAASB to provide a simplified, principles-based framework tailored to audits of less complex entities (LCEs), while maintaining audit quality and public interest safeguards.

The paper specifically addresses:

- The objective of ISA for LCE
- Prohibitions on its use
- Jurisdictional flexibility, including modification of paragraph A1(c) and quantitative thresholds
- An illustrative auditor's report under ISA for LCE

2. Objective of ISA for LCE

The **primary objective** of ISA for LCE is to:
Provide a stand-alone, simplified auditing standard designed to enable high-quality audits of less complex entities in a manner that is proportionate to their size and complexity, while remaining consistent with the fundamental principles of ISAs.

Key Elements of the Objective

1. Proportionality
   - Aligns audit effort with the complexity and risk profile of LCEs
   - Reduces unnecessary procedural burden
2. Clarity and Understandability
   - Uses simplified language and structure
   - Organized in a logical sequence aligned with audit workflow
3. Stand-Alone Framework
   - Eliminates the need to cross-reference multiple ISAs
   - Enhance accessibility for small and medium practices (SMPs)
4. Audit Quality Preservation
   - Maintains core principles such as professional skepticism, judgment, and risk-based auditing
   - Provides sufficient rigor to support public confidence

5. Global Consistency
    - Encourages consistent audits across jurisdictions while allowing local adaptation

3. Specific Prohibitions on the Use of ISA for LCE

The standard explicitly prohibits its use in certain circumstances to ensure it is applied only where appropriate.

3.1 Entities Explicitly Excluded

ISA for LCE must NOT be used for:

1. Public Interest Entities (PIEs)
    - Listed entities
    - Financial institutions (banks, insurers)
    - Entities with significant public accountability
2. Entities with High Complexity Characteristics Including, but not limited to:
    - Complex group structures (multi-layered or cross-border groups)
    - Significant use of complex financial instruments
    - Highly specialized or regulated industries

3.2 Qualitative Prohibitions (Structural Complexity)

Use of ISA for LCE is prohibited where:

- There is significant estimation uncertainty or judgment complexity
- The entity operates in a highly regulated environment
- There are significant IT complexities (e.g., automated controls, complex ERP systems)
- The audit involves extensive use of experts

3.3 Group Audits

- ISA for LCE cannot be applied to group audits where:
    - The group structure is complex
    - Component auditors are involved in multiple jurisdictions
    - Significant consolidation adjustments exist

3.4 Management Integrity and Governance Concerns

Where there are:

- Indicators of fraud risk at a pervasive level
- Weak governance structures
- Limited oversight

The standard should not be used.

4. Jurisdictional Flexibility

ISA for LCE is designed with **built-in flexibility** to enable regulators to tailor its application.

4.1 Modification of Paragraph A1(c)

Paragraph A1(c) relates to defining characteristics of less complex entities, including:

(i) An entity one of whose main functions is to take deposits from the public;
(ii) An entity one of whose main functions is to provide insurance to the public; or
(iii) A class of entities where use of the ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard-setting authority in the jurisdiction.

4.2 Quantitative Thresholds

Although ISA for LCE is primarily based on qualitative characteristics, jurisdictions may prescribe quantitative thresholds to assist in operationalizing eligibility.

Examples of Metrics

Regulators may define thresholds for:

- Revenue
- Total assets
- Number of employees

5. Jurisdictional Effective Date

The international Standard on Auditing for Less Complex Entities (ISA for LCE) is effective for audits of financial statements for periods beginning on or after 15 December 2025. However, its applicability within a jurisdiction is contingent upon formal adoption or approval by the relevant regulatory or standard-setting authority. Accordingly, jurisdictions retain discretion to determine the timing of implementation, including permitting early adoption or deferring the effective date based on local considerations.

6. Conclusion and Recommendations

The adoption of ISA for LCE presents a **significant opportunity** to:

- Enhance audit efficiency for smaller entities
- Support small and medium audit practices
- Maintain audit quality while reducing complexity

Recommendations for CA Maldives

1. Adopt ISA for LCE with clear eligibility criteria
2. Define quantitative thresholds aligned with local economic conditions
3. Provide guidance on paragraph A1(c) interpretation
4. Establish monitoring mechanisms
5. Conduct stakeholder education and training

Annexure 1. Illustrative Auditor's Report under ISA for LCE
Below is a simplified illustrative report structure:

Independent Auditor's Report
To the Shareholders of [Entity Name]

Opinion

We have audited the financial statements of [Entity Name], which comprise the statement of financial position as at [date], and the statement of profit or loss, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at [date], and its financial performance and cash flows for the year then ended in accordance with [applicable financial reporting framework].

Basis for Opinion

We conducted our audit in accordance with the International Standard on Auditing for Less Complex Entities (ISA for LCE). Our responsibilities under those standards are further described in the Auditor's Responsibilities section.
We are independent of the entity in accordance with [relevant ethical requirements] and have fulfilled our ethical responsibilities.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management

Management is responsible for:

- Preparation of financial statements
- Internal controls necessary for reliable reporting
- Assessing the entity's ability to continue as a going concern

Auditor's Responsibilities

Our objectives are to:

- Obtain reasonable assurance whether the financial statements are free from material misstatement
- Design and perform procedures responsive to identified risks
- Evaluate accounting policies and estimates

Due to the nature of audit procedures, there is an unavoidable risk that some material misstatements may not be detected.

Other Reporting Responsibilities
[Include any regulatory or local reporting requirements]

Signature

[Audit Firm Name]
[Location]
[Date]