



# MEMBERS' HANDBOOK

## Update No. 329

(Issued 30 April 2025)

### VOLUME III

<u>Document Reference and Title</u>	<u>Instructions</u>	<u>Explanations</u>
<a href="#">Contents of Volume III</a>	Replace pages i to v with revised pages i to v.	Revised content pages

### Section 2: Pronouncements issued but not yet effective

#### THE HONG KONG STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

<a href="#">The HKSA for LCE and Conforming Amendments to Other Hong Kong Standards Arising from the HKSA for LCE</a>	Insert before HKSSA 5000, <i>General Requirements for Sustainability Assurance Engagements</i> and Conforming and Consequential Amendments to Other Hong Kong Standards Arising from HKSSA 5000	Note
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Note:

*The Hong Kong Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (HKSA for LCE) is based on the International Auditing and Assurance Standards Board's (IAASB) *International Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (ISA for LCE). It is tailored to meet the specific audit needs of smaller and less complex businesses and organizations. The Authority of the standard in Part A sets out the intended scope of the HKSA for LCE. Limitations for using the standard are designated into three categories. In determining the appropriate use of the HKSA for LCE, all three categories are to be considered:

- Specific classes of entities for which the use of the HKSA for LCE is prohibited (i.e., specific prohibitions);
- Qualitative characteristics that describe a less complex entity, and if not exhibited by an entity would ordinarily preclude the use of the HKSA for LCE for the audit of the financial statements of that entity; and
- Quantitative thresholds to be determined by legislative or regulatory authorities or relevant local bodies with standard-setting authority in each jurisdiction.

To ensure proper application of the HKSA for LCE, the Institute's Auditing and Assurance Standards Committee (AASC) has modified the Authority of the ISA for LCE to better align with Hong Kong's circumstances by:

- Adding or modifying the classes of entities prohibited from using the HKSA for LCE under paragraph A.1.(c).
- Establishing quantitative thresholds in paragraph A.4. of the HKSA for LCE.

The [Basis for Conclusions](#) summarizes the considerations of the AASC in making these local modifications. It also discusses the mandatory disclosure requirements for the auditor's name and practising certificate number in the auditor's report for audits conducted under the HKSA for LCE, along with an impact analysis of key areas that auditors should be aware of when applying the HKSA for LCE in audit engagements.

The HKSA for LCE is effective for audits of financial statements of less complex entities for periods beginning on or after 15 December 2025. Early adoption is permitted.

To support the implementation of the HKSA for LCE, the AASC has developed a [Frequently Asked Questions](#) document that addresses various scenarios related to the assessment of quantitative thresholds and provides local application guidance. Additionally, other relevant guides and materials concerning the application of the HKSA for LCE are available in the Institute's [online resource centre](#).