EXPOSURE DRAFT OF PROPOSED INTERNATIONAL STANDARD ON AUDITING FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

Response Form

Guide for Respondents

Comments are requested by **November 17, 2026**. *Note that requests for extensions of time cannot be accommodated due to the timeline for finalization of this proposed revised standard.*

This form is for providing comments on the Exposure Draft of proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (Revised) (ED-ISA for LCE), in response to the questions set out in the Explanatory Memorandum to ED-ISA for LCE. It also allows for respondent details, demographics and other comments to be provided. Use of this form will facilitate the IAASB's analysis of the responses.

You may respond to all questions or only those questions for which you have specific comments.

To assist our consideration and analysis of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Include any detailed comments below that, as indicated.
- When providing comments, respond directly to the questions and:
    - Provide the rationale for your answers. If you disagree with the proposals in ED-ISA for LCE, please provide specific reasons for your disagreement and include specific suggestions for changes (including specific wording) that may be needed to the requirements, essential explanatory material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view as support for the IAASB's proposals cannot always be inferred when not stated.
    - Be specific about the Parts, paragraphs or appendices in ED-ISA for LCE to which your responses relate.
    - Refrain from inserting tables or text boxes in your responses.

It is not necessary to include a cover letter containing a summary of your key issues. The response form provides the opportunity to include any other views you wish to place on the public record, should you choose to do so. All responses will be considered a matter of **public record** and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the web page for proposed ISA for LCE (Revised) to upload the completed form.

Responses to IAASB's Request for Comments in the Explanatory Memorandum for ED-ISA for LCE

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	Hong Kong Institute of Certified Public Accountants (HKICPA)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Selene Ho
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	selene@hkicpa.org.hk
Geographical profile that best represents your situation (i.e., the geographical perspective from which are you providing feedback on ED-ISA for LCE). Select the most appropriate option.	Asia Pacific
	If "Other", please clarify
The stakeholder group to which you belong (i.e., the perspective from which are you providing feedback on ED-ISA for LCE). Select the most appropriate option.	Jurisdictional or other standard setter
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional**. The IAASB's preference is that you incorporate all your views in your comments to the questions.

Information, if any, not already included in responding to the questions in Part B:

About HKICPA and the Hong Kong context for the ISA for LCE

HKICPA has adopted the ISA for LCE as the HKSA for LCE, with local adaptations on eligibility (additional prohibitions and a size test) to support appropriate use of the standard in Hong Kong.

The Hong Kong environment is distinctive because statutory audits are required for all companies, without exemptions based on size or industry. Many private and owner-managed entities in Hong Kong may be

eligible to be audited under the HKSA for LCE. Accordingly, proportionality, stability and practical implementability are particularly important to the successful adoption of the HKSA for LCE in Hong Kong.

This context differs from jurisdictions in which smaller entities may be exempt from statutory audit or subject to a separate domestic auditing standard. As Hong Kong has adopted the ISA for LCE, it is particularly important that the ISA for LCE requirements remain proportionate to the circumstances of entities within the intended scope of the standard.

We appreciate the IAASB's continued commitment to maintaining a high-quality standalone standard for audits of LCEs. Our response is informed by discussions with Hong Kong practitioners, including small and medium practices, and by our experience developing implementation support materials and an audit manual for the HKSA for LCE.

Summary of our position

We support the objective of maintaining alignment with the core concepts of the ISAs, and broadly support the proposed revisions relating to fraud, ethics, expert and reporting. However, we recommend that the IAASB reconsider the proposed going concern assessment period for LCEs and adopt a more differentiated maintenance approach that preserves a stable platform while allowing urgent or clearly relevant public interest changes to be incorporated in a timely manner. If the approval-date going concern period is retained for the ISA for LCE, we recommend that the IAASB provide practical guidance and illustrative examples on how management may update its assessment through "less formal means", particularly in owner-managed entities, while maintaining the reliability of the information underpinning that assessment.

Additional implementation support

To further support the implementation and adoption of the ISA for LCE, we encourage the IAASB to develop a standalone document summarising the practical and operational differences between the ISA for LCE and the full suite of ISAs. While these differences may already be covered across various implementation support materials, bringing them together in a single document would provide practitioners with a clearer overall picture and facilitate understanding, training and effective implementation.

PART B: Responses to Questions in the Explanatory Memorandum for ED-ISA for LCE

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Impact

1. Do you agree that ED-ISA for LCE appropriately addresses the **relevant public interest issues** related to the underlying ISA projects and satisfies the identified **qualitative characteristics of the Public Interest Framework**? You are invited to include as part of your response insights on the **implications or effects** of implementing the proposed revisions in ED-ISA for LCE.

   (*See Section I-A and the Appendix in the Explanatory Memorandum)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We agree that most of the relevant public interest issues from the underlying projects have been identified and addressed in the ED-ISA for LCE. In particular, we support the clearer articulation of the auditor's responsibilities relating to fraud and going concern, the strengthened response when fraud or suspected fraud is identified, the clarification of the use of an auditor's expert and the enhanced reporting requirements.

Nevertheless, we have reservations as to whether the following proposals achieve an appropriate balance among relevance, proportionality, implementability and consistent application:

- The requirement for management's going concern assessment to cover at least twelve months from the date of approval of the financial statements may impose a disproportionate burden on many LCEs, particularly where the applicable financial reporting framework prescribes a shorter minimum assessment period. In practice, LCE management may not routinely assess going concern beyond the minimum period required by the financial reporting framework, and its going concern assessment process may be relatively informal. A countervailing view from our stakeholders is that, for a very simple LCE, the going concern considerations should be relatively straightforward and that extending the assessment to the date of approval should not represent a significant hurdle, provided the expected work effort of management is clearly scalable and proportionate to the entity's circumstances. These differing views suggest that further practical guidance is needed to clarify how the requirement should be applied proportionately in the LCE context.
- Frequent updates to the ISA for LCE may undermine the stability that is important to the adoption and effective implementation of a standalone LCE standard. Each revision requires firm to update methodologies, audit tools, manuals, training and quality management processes.
- Differences between the effective dates of the ISAs and the ISA for LCE can create temporary divergence in practice, but immediate or near-immediate updates can also impose significant implementation costs. A risk-based triage mechanism is therefore preferable to a uniform approach.

In Hong Kong, many entities that may qualify as LCEs are subject to statutory audit. The implementation effects are therefore not confined to a small voluntary market. Firms, particularly SMPs, will need to update methodologies, train personnel, revise audit programmes and communicate new requirements to clients. This reinforces the need for changes to be clearly relevant to typical LCE audits and demonstrably proportionate.

Content of ED-ISA for LCE

Part A

2.1. Provide your views on the proposed revisions to **Part A**, *Authority of the ISA for LCE*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-B in the Explanatory Memorandum)

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support replacing "listed entity" with "publicly traded entity" and the related clarification that jurisdictions may define the term more explicitly. This promotes interoperability with the IAASB and IESBA standards

while preserving jurisdictional flexibility. This is particularly relevant in Hong Kong, where the HKICPA has been refining the definition of a public interest entity in the IESBA Code to reflect local circumstances.

Part 1

2.2. Provide your views on the proposed revisions to **Part 1**, *Fundamental Concepts, General Principles and Overarching Requirements*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-C in the Explanatory Memorandum)

Overall response: **Support the proposed revisions (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Parts 2 and 3

2.3. Provide your views on the proposed revisions to **Part 2**, *Audit Evidence and Documentation* and **Part 3**, *Engagement Quality Management*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-D in the Explanatory Memorandum)

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support relocating the statement that records and documents may be accepted as genuine, unless the auditor has reason to believe otherwise, from a requirement to EEM. This maintains the professional skepticism message while avoiding an unintended implication that the auditor may rely on documentary form without considering authenticity and contradictory evidence.

We have no specific comments on Part 3.

We encourage the IAASB to continue emphasizing that documentation under the ISA for LCE should be sufficient to evidence the work performed and the significant judgments made, without becoming a checklist exercise. Our implementation experience, including the development of implementation support materials and an audit manual for the HKSA for LCE, indicates that audit programmes should prompt clear working paper references and concise explanations, rather than permit a bare “Yes” response to be treated as sufficient documentation.

Part 5

2.4. Provide your views on the proposed revisions to **Part 5**, *Planning*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-E in the Explanatory Memorandum)

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support the amendments concerning the use of an auditor's expert, including consideration of relevant ethical requirements and the prohibition on using an expert who lacks the necessary competence or capabilities, or whose objectivity threats cannot be eliminated or reduced to an acceptable level.

The ISA for LCE may still be appropriate where an expert is required for an isolated matter that does not, in the overall circumstances, make the entity or the audit complex. We therefore support retaining the ability to use an expert while requiring the auditor to reassess whether use of the ISA for LCE remains appropriate.

Part 6

2.5. Provide your views on the proposed revisions to **Part 6**, *Risk Identification and Assessment*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-F in the Explanatory Memorandum)

1. Responses related to Presumption of ROMMs Due to Fraud in Revenue Recognition (Part 6.4)

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support retaining the rebuttable presumption and aligning the work effort with ISA 240 (Revised), including requiring the auditor to determine which types of revenue, revenue transactions or relevant assertions give rise to ROMMs due to fraud, taking related fraud risk factors into account.

We also support proportionate EEM recognizing that revenue recognition in a typical LCE may involve a single, simple or straightforward revenue stream. However, the example of leasehold revenue from a single rental property may be read too narrowly and could unintentionally become a safe harbour. We recommend clarifying that rebuttal is not confined to that fact pattern. The decisive factors should be the simplicity and predictability of the revenue stream, the absence of relevant fraud risk factors and the audit evidence obtained.

For example, depending on the facts and circumstances, the same considerations may apply where an entity has a limited number of (rather than a single) rental properties or another simple and predictable revenue stream. The EEM should therefore make clear that the single-rental-property example is illustrative rather than exhaustive and does not establish a fixed boundary for rebutting the presumption.

2. Other proposals in Part 6

Overall response: **Support the proposed revisions (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Part 7

2.6. Provide your views on the proposed revisions to **Part 7**, *Responding to Assessed Risks of Material Misstatement*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-G in the Explanatory Memorandum)

1. Responses related to Going Concern Section (Part 7.4)

Overall response: **Do not support the proposed revisions, with comments below**

Detailed comments (if any):

Given the absence of a uniform view in Hong Kong, we have reservations about requiring management's assessment to cover at least 12 months from the date the financial statements are approved for all audits performed under the ISA for LCE. Our outreach with small and medium-sized practitioners identified concerns about proportionality. At the same time, other stakeholders did not view a departure limited to the ISA for LCE as the preferred outcome.

The applicable financial reporting framework may require management to assess going concern for at least 12 months from the end of the reporting period. In practice, LCE management will generally not extend its assessment beyond the minimum requirements of the applicable financial reporting framework.

We acknowledge that a financial reporting requirement expressed as a minimum period may not prohibit management from assessing a longer period. Accordingly, the proposed auditing requirement may not create a direct technical conflict with the applicable financial reporting framework. Nevertheless, it creates a practical misalignment where management has complied fully with the financial reporting framework but is required, solely for audit purposes, to extend its assessment for an additional period. This may be difficult to explain to management and may impose work for management and auditors that is disproportionate for a typical LCE.

This issue is particularly acute for LCEs because management's processes are often less formal, resources are limited and approval of the financial statements may take place significantly later than the reporting date. Although the EEM permits an extension through less formal means, the requirement still creates additional work for management. The expression "less formal" may also lead to inconsistent practice unless there is greater clarity about the information and documentation expected to support such an extension.

The proposed requirement may also create difficult reporting consequences where management has completed the assessment required by the applicable financial reporting framework but is unwilling to extend it to cover 12 months from the approval date. In those circumstances, the auditor may be unable to obtain sufficient appropriate audit evidence for the additional period, potentially resulting in a modified opinion due to a limitation in scope. We encourage the IAASB to consider whether this outcome is

proportionate and clearly understandable when management has otherwise complied with the applicable financial reporting requirements.

We recognize the public interest rationale for the change in ISA 570 (Revised 2024). Nevertheless, the ISA for LCE is a standalone standard designed to be relevant and proportionate to typical LCE circumstances. We recommend a risk-based approach under which the auditor considers the period required by the applicable financial reporting framework and requests that management extend its assessment when relevant facts and circumstances indicate that a longer period is necessary. In determining whether a differentiated approach is appropriate for the ISA for LCE, the IAASB should carefully balance the public interest benefits of alignment with the ISA 570 (Revised 2024) with the implementation concerns and proportionality considerations raised by practitioners.

As an alternative, the IAASB could monitor the implementation of ISA 570 (Revised 2024), including how management and auditors apply the approval-date assessment period and the related concept of an extension through less formal means, before incorporating the requirement into the ISA for LCE with necessary EEM. This would allow the IAASB to assess practical experience and determine whether further adaptation is required for typical LCE circumstances. Our further comments in this regard are set out in Question 3 below.

If the IAASB retains a universal approval-date requirement, the EEM should provide clearer, scalable guidance and examples on the nature and minimum extent of an assessment updated through less formal means. The term “less formal” is insufficiently specific and may lead to inconsistent application in practice. The guidance should include an example involving an entity whose management does not prepare detailed financial projections. It should illustrate the nature and minimum extent of management’s assessment updated through less formal means as well as the auditor’s expected inquiries, the supporting documents to be evaluated and the related audit documentation. Reduced formality should not result in reduced reliability of the information supporting management’s assessment.

2. Other proposals in Part 7

Overall response: **Support the proposed revisions, with comments below**

Detailed comments (if any):

We support the separate section on responding to identified fraud or suspected fraud, the strengthened requirements relating to journal-entry populations and the requirements concerning third-party or related-party financial support. The conditional text boxes improve navigation and scalability.

We also support the requirement to obtain evidence about the intent and ability of an owner-manager or other party to provide financial support where the entity depends on that support. This is particularly relevant to many private and owner-managed entities in Hong Kong.

Part 8

2.7. Provide your views on the proposed revisions to **Part 8**, *Concluding*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-H in the Explanatory Memorandum)

Overall response: **Support the proposed revisions (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Part 9

2.8. Provide your views on the proposed revisions to **Part 9,** *Forming an Opinion and Reporting*. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

(See Section I-I in the Explanatory Memorandum)

Overall response: **Support the proposed revisions (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Part 10 and Appendices

2.9. Provide your views on the proposed revisions to **Part 10**, *Audits of Group Financial Statements* and **Appendices**. Please also share your views on whether the public interest issues identified in the underlying ISA projects are *relevant* to the ISA for LCE and, if so, whether they are addressed in a *proportionate* way.

Overall response: **Support the proposed revisions (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Other Matters

Maintenance of the ISA for LCE

3. Do you agree with the Maintenance Approach? Please also share your views relating to the frequency and timing of maintenance projects and how the approach could be improved, including, as applicable, how to achieve the appropriate balance between the desire for stability between different versions of the standard and keeping the standard aligned with the core requirements and concepts of the ISAs.

(See Section I-J, paragraphs 72–76 in the Explanatory Memorandum)

Overall response: **Disagree, with comments below**

Detailed comments (if any):

We agree with the underlying principles that the ISA for LCE should remain aligned with the core requirements and concepts of the ISAs and should respond to relevant public interest issues. However, we note that "core requirements and concepts" are not defined for the purposes of the LCE maintenance. Consequently, there is a risk that every ISA requirement appears to be “core” and then scaled for the ISA for LCE. Over time, this risks the ISA for LCE converging with the full ISAs and losing the proportionality

that sets it apart. We recommend that the IAASB set out criteria for deciding what is “core”. These should focus on the requirements needed to achieve the objectives of the audit and obtain reasonable assurance in typical LCE circumstances, and would preserve the ISA for LCE as a genuinely standalone standard.

Over the longer term, we encourage the IAASB to consider LCE implications while developing each new or revised ISA, rather than at the end of the ISA project. If the IAASB assesses during the underlying ISA project which requirements are relevant to typical LCE audits, and how they can be applied proportionately, requirements would not be labelled “core” by default and then carried across. This would also reduce the perception that the ISA for LCE has a “gap” until each ISA change is incorporated, and could simplify later maintenance projects.

On maintenance, we do not agree that it should be triggered for each new or revised ISA on a near-finalized basis. Instead, we recommend that the IAASB allow more time for implementation observation and experience with a new or revised ISA before incorporating the change into the ISA for LCE. In the absence of an explicit “core requirements and concepts" definition, this approach allows for a better determination of the nature and circumstances in which a requirement is relevant to LCEs, rather than rigidly following a one-year, or near-finalized-approach, trigger to maintain the ISA for LCE. On this basis, we recommend that the IAASB consider a stronger filtering mechanism or a stable update cycle.

A stable platform is essential to adoption. Jurisdictions, firms and methodology providers need time to translate or adopt revisions, update manuals and tools, revise training and quality management processes, and support consistent application. For SMPs, these costs can be significant. Frequent changes may discourage firms from moving from the full ISAs to the ISA for LCE, particularly where users perceive that the standalone standard will require repeated onboarding and methodology changes.

At the same time, we acknowledge the disadvantages of long periods of divergence. Different effective dates may result in auditors applying different requirements to broadly similar matters depending on which standard is used. These differences are particularly relevant when an entity qualifies for the ISA for LCE in one year but not in another, requiring the auditor to move between the ISA for LCE and the full ISAs. Hong Kong stakeholders therefore expressed differing preferences, ranging from close alignment to a more stable update cycle. In our view, these concerns are best reconciled through a tiered maintenance model rather than a single timing rule:

1. **Urgent or fundamental public interest changes, or changes clearly relevant to typical LCE audits and necessary to maintain core outcomes:** Prompt incorporation, including through an interim maintenance project where necessary.
2. **Changes of limited relevance to typical LCEs, or changes whose practical effects are not yet established:** Monitor implementation experience with the underlying ISA and defer incorporation to a later maintenance cycle, allowing sufficient time to observe how the requirement operates in practice, unless evidence demonstrates a need for earlier action.

This approach would preserve alignment at the level of core outcomes while recognizing the standalone nature of the ISA for LCE. It would also reduce the possibility of multiple, overlapping ISA revisions and ISA for LCE maintenance projects, thereby reducing the implementation burden on firms. The IAASB should also specify the intended interval between routine maintenance cycles and explain how that interval balances stability with the need to avoid prolonged divergence. In determining the interval, it should consider the practical implications for entities moving between the ISA for LCE and the full ISAs, while retaining the ability to address urgent changes outside the routine cycle.

Although financial reporting and auditing standards serve different purposes, the IFRS for SMEs Accounting Standard shows the effect of allowing implementation experience to build before each significant full-IFRS change is taken across. The IASB maintains the IFRS for SMEs Accounting Standard through periodic comprehensive reviews, with the first review completed in 2015 and the second resulting in the third edition issued in 2025 (effective 1 January 2027). In the second review, the IASB applied an alignment approach, using full IFRS Accounting Standards as a starting point and assessing potential amendments against principles of relevance to SMEs, simplicity and faithful representation, while considering the associated costs and benefits. As a result, the 2025 edition incorporated selected aspects of IFRS 10 *Consolidated Financial Statements*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*, with simplifications appropriate for SMEs, several years after those Standards became effective under full IFRS Accounting Standards. The IASB also decided to defer alignment with IFRS 16 *Leases* until a future review. A similar emphasis on demonstrated relevance and proportionality, rather than a fixed near-term trigger, could inform the ISA for LCE maintenance process.

Effective Date

4.	The IAASB believes that an appropriate implementation period would be approximately 18 months after the expected date of approval of the proposed revised standard. Do you agree that this will provide a sufficient period to support effective implementation of the proposed revisions to the standard? If not, what do you propose and why? *(See Section I-J, paragraphs 77–78 in the Explanatory Memorandum)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We agree that approximately 18 months between approval and the effective date should generally provide a sufficient implementation period for this targeted revision. However, as firms are still relatively new to the ISA for LCE, which was only recently adopted, imposing an 18-month implementation period after approval of this targeted revision may not allow firms sufficient time to embed the change, particularly where they are still in the process of adopting and familiarizing the ISA for LCE. As such, for the current targeted maintenance, we encourage the IAASB to consider a longer implementation period.

Translations

5.	Recognizing that many respondents may intend to translate the final standard for adoption in their own environments, have you identified any potential translation challenges or issues? If so, please describe the issue identified and clearly indicate the specific paragraph numbers of any requirements, essential explanatory material, or appendices to which your comments relate.

Overall response: **No response**

Detailed comments (if any):

Click or tap here to enter text.

This document was prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB).

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB and IESBA Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

Through intellectual property and service level agreements, the International Federation of Accountants manages requests to translate or reproduce IAASB and IESBA content. For permission to reproduce or translate this or any other publication or for information about intellectual property matters, please visit Permissions or contact Permissions@ifac.org.

The IAASB®, the International Foundation for Ethics and Audit™ (IFEA™) and the International Federation of Accountants® (IFAC®) do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.