Hong Kong Institute of
Certified Public Accountants
香港會計師公會

23 July 2026

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB) EXPOSURE DRAFT

Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (Revised)("ISA for LCE")

Comments to be received by 17 October 2026

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee (AASC) is seeking comments on the captioned IAASB Exposure Draft (ED), which should be read together with the accompanying IAASB Explanatory Memorandum (EM). Both documents have been posted on the Institute's website.

Background

The proposed revisions to the ISA for LCE are part of the IAASB's commitment to maintaining a robust, proportionate and globally relevant auditing framework for less complex entities (LCEs). The proposed revisions update the ISA for LCE to address significant developments related to fraud and going concern, while ensuring the requirements remain appropriately tailored to audits of LCEs.

The ED includes proposed revisions in several areas, including:

- Fraud – Incorporating recent revisions to auditor responsibilities relating to fraud.
- Going Concern – Addressing recent developments in auditor responsibilities related to going concern.
- Listed and Public Interest Entities – Replacing the term "listed entity" with "publicly traded entity", for which use of the standard is prohibited.
- Experts – Maintaining interoperability with the *International Code of Ethics for Accountants (including International Independence Standards),* issued by the International Ethics Standards Board for Accountants.

HKICPA Analysis: Potential Impact of the ED

The proposed revisions are expected to result in greater alignment between the ISA for LCE and the IAASB's International Standards on Auditing (ISAs), particularly ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* and ISA 570 (Revised 2024), *Going Concern*.

The proposed revisions strengthen auditors' responsibilities across several key areas of the ISA for LCE including:

- **Fraud and Going Concern:** Requiring consideration of fraud risk factors when identifying and assessing the risks of material misstatements (Part 6); conditional requirements if the auditor identifies fraud or suspected fraud (Part 7.4); and requiring more robust going concern evaluations (Part 7.4).

- **Documentation:** Requiring documentation of significant professional judgments made and conclusions reached regarding fraud and going concern (Part 7.7).
- **Professional Skepticism, Communications and Reporting:** Reinforcing and enhancing the exercise of professional skepticism (Parts 1, 2, and 8), communications with those charged with governance (Parts 1 and 7) and auditor reporting (Part 9).

Because the IAASB has deliberately adapted the underlying ISA revisions to the LCE environment, the proposals are expected to enhance audit quality, consistency and alignment with the ISAs while preserving the proportionate and scalable nature of the ISA for LCE.

How to Comment on this ED

The AASC invites comments on all aspects of the ED and welcomes feedback from all stakeholders, whether in agreement or disagreement with the proposed revisions.

Respondents are particularly encouraged to provide views on the questions set out in **Section II – Questions for Respondents** of the EM, which are intended to solicit feedback on specific matters arising from the proposal.

To ensure that your comments be considered in the Institute's response to the IAASB, please submit your comments, supported by specific reasons and in writing, by **17 October** via email to commentletters@hkicpa.org.hk.

Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.