



**INTERNATIONAL FEDERATION
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Agenda Item 13

Committee: IAASB
Meeting Location: Miami
Meeting Date: December 8-13, 2002

Fraud – Phase II

Objectives of Agenda Item

1. To consider the issues identified in Agenda Paper 13-A
2. To address the questions that are set out in text boxes within the paper.

Background

The IAASB (at the time the IAPC) approved revisions to ISA 240 “The Auditor’s Responsibility to Consider Fraud and Error in the Audit of Financial Statements” in March 2001. The IAASB also accepted an invitation to participate in a US Fraud Task Force with the view to developing common basic principles and essential procedures. In June 2002, the IAASB responded to the US ASB exposure draft “Consideration of Fraud in a Financial Statement Audit.” SAS 99 “Consideration of Fraud in a Financial Statement Audit” was issued in October 2002.

The revision to ISA 240 will build on the risk assessment process contained in exposure draft “Audit Risk” that was issued in October 2002 and will provide guidance to the auditor on responses to an identified fraud risk.

Activities Since Last IAASB Discussions

The Task Force met in September 2002, to discuss the scope of the revisions to ISA 240.

The Consultative Advisory Group discussed the scope of fraud project at its October 2002 meeting and there was a consensus that ISA 240 should be updated to converge with the new US standard and aligned with the new audit risk standard.

Material Presented

Agenda Paper 13-A Issues Paper
(Pages 855 – 860)

Agenda Paper 13-B SAS 99 “Consideration of Fraud in a Financial Statement Audit”
(Pages 861 – 954)

Agenda Paper 13-C IAASB response letter to US ED
(Pages 955 – 968)

Action Requested

IAASB is asked to review the issues paper and provide guidance to the Task Force on the matters raised.