

# Agenda Item 1-B

## [Draft] Supplement to Discussion Paper: Complete List of Questions

### ***Fraud and Going Concern in an Audit of Financial Statements, Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Obligations in a Financial Statement Audit***

*This Supplement sets out a list of all the questions in the [Draft] Discussion Paper in one place (i.e., is a repeat of the questions within the Discussion Paper) that can be used to facilitate respondent's efforts to provide input.*

Topic	Questions
Fraud	<p>1. Do you believe that the users of financial statements are looking for more assurance from auditor's with regard to fraud? If yes:</p> <ul style="list-style-type: none"> <li>(a) Please explain in what areas additional or enhanced procedures should be required, considering the cost versus benefit of additional procedures.</li> <li>(b) Should these incremental procedures be required for: <ul style="list-style-type: none"> <li>(i) All audits, or</li> <li>(ii) Only in certain circumstances (for example, only if there is a 'suspicion' of fraud, or for certain entity types (e.g., listed entities – please specify the types of entities).<sup>1</sup>)</li> </ul> </li> <li>(c) How should the additional procedures be mandated (e.g., additions or modifications to ISA 240, as a new auditing standard required to be applied only by specific entities or under specific circumstances, through a separate engagement (such as reporting on internal controls related to fraud) or in some other way).<sup>11</sup> Please explain your answer.</li> </ul>
Fraud	<p>2. Please provide your views on:</p> <ul style="list-style-type: none"> <li>(a) The primary matters contributing to the expectation gap related to the auditor's responsibility to detect fraud in an audit of financial statements.</li> <li>(b) What the IAASB or others can do to help narrow the knowledge gap, the performance gap, or the evolution gap in regards to the auditor's responsibilities related to fraud in an audit of financial statements (please distinguish whether possible actions are for the IAASB or others).</li> </ul>
Fraud	<p>3. Should forensic specialists be required to be used in all financial statement audits? Why or why not?</p> <ul style="list-style-type: none"> <li>(a) If not, do you think forensic specialists should be required to be used in conditional circumstances? Please provide details of those</li> </ul>

<sup>1</sup> Refer to Appendix B in Discussion Paper that illustrates just some examples of how changes may be made – it illustrates possible changes in the context of ISA 240 (e.g., whether changes apply to all entities or only apply conditionally, whether changes are made directly to ISA 240 or outside of the standard, etc.).

	<p>circumstances for which you think the use of forensic specialists should be required.</p> <p>(b) Please also comment on your consideration of the cost versus the benefit regarding any requirement to involve forensic specialists.</p>
Fraud	<p>4. Should the auditor be required to perform procedures to detect fraud that is not material?</p> <p>(a) If yes, what additional procedures do you think are necessary in all audits?</p> <p>(b) Do you think additional audit procedures should be required when a non-material fraud is identified? If yes, what additional procedures do you think are necessary?</p> <p>(c) What do you perceive to be the limitations of the auditor's role in detecting fraud that is not material?</p> <p>(d) Please comment on your consideration of the cost versus the benefit to the public interest with respect to the enhanced work effort.</p>
Fraud	<p>5. In your view, are additional procedures or changes necessary in ISA 240 to distinguish or emphasize the auditor's responsibilities around the risks of material misstatement due to fraud involving third parties? If yes:</p> <p>(a) Please explain what additional procedures are needed or in what areas further consideration is needed.</p> <p>(b) Do you think additional audit procedures are necessary related to third party fraud that does not result in a material misstatement of the financial statements but may have a severely negative impact on the entity (e.g., cybercrime attacks)? Please explain what additional procedures are necessary.</p>
Fraud	<p>6. Should additional engagement quality review procedures specifically focused on the engagement team's responsibilities relating to fraud be required? If yes, what additional procedures do you think are necessary with respect to a focus on fraud by the engagement quality control reviewer?</p>
Going Concern	<p>7. Do you believe that the users of financial statements are looking for more assurance from auditor's with regard to the entity's ability to continue as a going concern? If yes:</p> <p>(a) Please explain in what areas additional or enhanced procedures should be required, considering the cost versus benefit of additional procedures.</p> <p>(b) Should these enhanced procedures be required for:</p> <p>(i) All audits, or</p> <p>(ii) Only in certain instances (for example, only if there are circumstances that present heightened risk of going concern</p>

	<p>issues, or only for certain entity types (e.g., listed entities – please specify the types of entities)<sup>2</sup>)</p> <p>(c) How should the additional procedures be mandated (e.g., additions or modifications to ISA 570 (Revised), as a new auditing standard required to be applied only by specific entities or under specific circumstances, through a separate engagement (such as reporting on management's assessment) or in some other way).<sup>19</sup> Please explain your answer.</p>
Going Concern	<p>8. Please provide your views on:</p> <p>(a) The primary matters contributing to the expectation gap related to the auditor's responsibilities in relation to going concern to in an audit of financial statements.</p> <p>(b) What the IAASB or others can do to help narrow the knowledge gap, the performance gap, or the evolution gap in regards to the auditor's responsibilities related to going concern in an audit of financial statements (please distinguish whether possible actions are for the IAASB or others)</p>
Going Concern	<p>9. Do you think the period for which auditors are required to evaluate management's assessment of the entity's ability to continue as a going concern in ISA 570 (Revised) is sufficient?</p> <p>(a) Why or why not?</p> <p>(b) If not, please explain including the desired period of assessment.</p>
Going Concern	<p>10. In relation to the concept of going concern:</p> <p>(a) In your view, do stakeholders have a clear understanding of the differences between terms used to assess aspects of the entity's financial health for the foreseeable future and/or long-term viability specific to various jurisdictions, and the requirement to assess an entity's ability to continue as a going concern?</p> <p>(i) If no, what more is needed to make the distinction clear?</p> <p>(b) Do you think the concept of going concern remains fit for purpose in the current environment or do you think changes are necessary to incorporate other aspects of the entity's financial health (e.g. long-term viability)?</p>
Going Concern	<p>11. With regard to the description of a material uncertainty related to going concern as described in ISA 570 (Revised):</p> <p>(a) Do you understand what a material uncertainty is and, in your view, would this understanding be consistent for different entities noting a material uncertainty?</p>

<sup>2</sup> Refer to Appendix B in Discussion Paper that illustrates just some examples of how changes may be made – it illustrates possible changes in the context of ISA 240 (e.g., whether changes apply to all entities or only apply conditionally, whether changes are made directly to ISA 240 or outside of the standard, etc.).

	<p>(b) Does the auditor's report currently provide enough information about material uncertainties related to an entity's ability to continue as a going concern? Why or why not?</p> <p>(c) Do you think there is an inconsistency between international accounting standards and ISA 570 (Revised) with regard to the disclosures (or not) when a material uncertainty exists and the work the auditor is required to undertake in determining the adequacy of the disclosures? Please explain your answer.</p> <p>(d) Are there any other improvements you think are necessary to provide further clarity?</p>
Other Matters Relevant to Both Fraud and Going Concern	<p>12. Professional skepticism is a fundamental concept and core to the performance of quality audits.</p> <p>(a) Do you believe more is needed related to professional skepticism when undertaking procedures with regard to:</p> <p>(i) Fraud; and</p> <p>(ii) Going concern?</p> <p>(b) If yes, how can this concept be better reinforced in:</p> <p>(i) ISA 240 and</p> <p>(ii) ISA 570 (Revised)?</p>
Other Matters Relevant to Both Fraud and Going Concern	<p>13. Do you think that more information should be required to be reported in the auditor's report regarding fraud?</p> <p>(a) Why or why not?</p> <p>(b) If yes, please provide details of further transparency needed.</p>
Other Matters Relevant to Both Fraud and Going Concern	<p>14. Do you think that more information should be required to be reported in the auditor's report regarding going concern?</p> <p>(a) Why or why not?</p> <p>(b) If yes, please provide details of further transparency needed.</p>
Other Matters Relevant to Both Fraud and Going Concern	<p>15. Do you have other general or specific feedback regarding the matters in this discussion paper or regarding the audit expectation gap that you think will help inform the IAASB with regard to its decisions to pursue future standard-setting efforts on these topics?</p>