

Fraud in an Audit of Financial Statements

Julie Corden, Fraud Task Force Chair

Jasper van den Hout, IAASB Director

Angelo Giardina, IAASB Principal

Hankenson Jane Talatala, IAASB Senior Manager

Thokozani Nkosi, IAASB Staff Fellow

IAASB Meeting

December 11–14, 2023

Agenda Item 2

Meet the Fraud Task Force and Staff



Julie Corden,
Chair



Bill Edge



Josephine
Jackson



Sachiko Kai



Diane Larsen



Jasper van den
Hout



Angelo
Giardina



Hankenson
Jane Talatala



Thokozani
Nkosi



Megan Leicht

Applying the fraud lens in everything that we do

Agenda

December 11, Monday

- IAASB's feedback on the exposure draft (ED) of proposed ISA 240 (Revised)

December 12, Tuesday

- Discussion of targeted issues

December 13, Wednesday

- Updated ED of proposed ISA 240 (Revised) provided to the IAASB by 16:30

December 14, Thursday

- Vote to approve the ED of proposed ISA 240 (Revised)

Outreach Activities Since September 2023

- **Project-specific outreach**

- Participation at the Canadian Public Accountability Board Symposium: The Evolving Fraud Landscape
- Project update at the Small and Medium Practices Advisory Group meeting
- Deep dive session on proposed ISA 240 (Revised) at the Forum of Firms meeting

- **General outreach**

- Committee of European Auditing Oversight Bodies' International Auditing Standards and Inspections Sub-Groups
- International Organization of Securities Commissions' Committee on Issuer Accounting, Audit and Disclosure (Committee 1)
- Basel Committee on Banking Supervision's Accounting and Audit Expert Group
- Public Interest Oversight Board
- Monitoring Group

Coordination with IESBA, Task Forces, Consultation Groups and Experts



Key Deliberations and Decisions Since September 2023

Professional Skepticism



Authenticity of records
and documents

Risk Identification and Assessment



Controls / control
deficiencies related to the
prevention or detection of
fraud

Fraud or Suspected Fraud



Ordering, Scalability
and Role of the
engagement partner

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A**

Subheading	Requirements	Application Material
Introduction	Paras. 1–16	Paras. A1–A18
Objectives	Para. 17	–
Definitions	Para. 18	Paras. A19–A24

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
Professional Skepticism	Paras. 19–21	Paras. A25–A32
Engagement Resources	Para. 22	Paras. A33–A36
Engagement Performance	Paras. 23–24	Paras. A37–A38
Ongoing Nature of Communications with Management and Those Charged with Governance	Para. 25	Paras. A39–A43

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
Risk Assessment Procedures and Related Activities	Paras. 26–32	Paras. A44–A58
Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	–	–
<i>Understanding the Entity and Its Environment, and the Applicable Financial Reporting Framework</i>	Para. 33	Paras. A59–A67

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
<i>Understanding the Components of the Entity's System of Internal Control</i>	Paras. 34–38	Paras. A68–A102
<i>Control Deficiencies Within the Entity's System of Internal Control</i>	Para. 39	Paras. A103–A104
Identifying and Assessing the Risks of Material Misstatement due to Fraud	Paras. 40–42	Paras. A105–A114

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
Responses to the Assessed Risks of Material Misstatement Due to Fraud	–	–
<i>Designing and Performing Audit Procedures in a Manner That Is Not Biased</i>	Para. 43	–
<i>Unpredictability in the Selection of Audit Procedures</i>	Para. 44	Paras. A115–A116
<i>Overall Responses</i>	Paras. 45–46	Para. A117
<i>Audit Procedures Responsive to the Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level</i>	Para. 47	Paras. A118–A125
<i>Audit Procedures Responsive to Risks Related to Management Override of Controls</i>	Paras. 48–53	Paras. A126–A143

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
Fraud or Suspected Fraud	Paras. 54–58	Paras. A144–A157
Evaluation of the Sufficiency and Appropriateness of Audit Evidence	Para. 59	Paras. A158–A160
Auditor Unable to Continue the Audit Engagement	Para. 60	Paras. A161–A164

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
Implications for the Auditor's Report	Paras. 61–64	Paras. A165–A182

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Requirements	Application Material
Written Representations	Para. 65	Paras. A183–A184
Communications with Management and Those Charged with Governance	Paras. 66–68	Paras. A185–A191
Reporting to an Appropriate Authority Outside the Entity	Para. 69	Paras. A192–A196
Documentation	Para. 70	Para. A197

Matters for the IAASB Consideration

1. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–A** (continued)

Subheading	Appendix
Appendices	—
<i>Examples of Fraud Risk Factors</i>	Appendix 1
<i>Examples of Possible Audit Procedures to Address the Assessed Risks of Material Misstatement Due to Fraud</i>	Appendix 2
<i>Examples of Circumstances that May Be Indicative of Fraud</i>	Appendix 3
<i>Additional Considerations that May Inform the Auditor When Selecting Journal Entries and Other Adjustments for Testing</i>	Appendix 4
<i>Other ISAs Addressing Specific Topics that Reference Fraud or Suspected Fraud</i>	Appendix 5

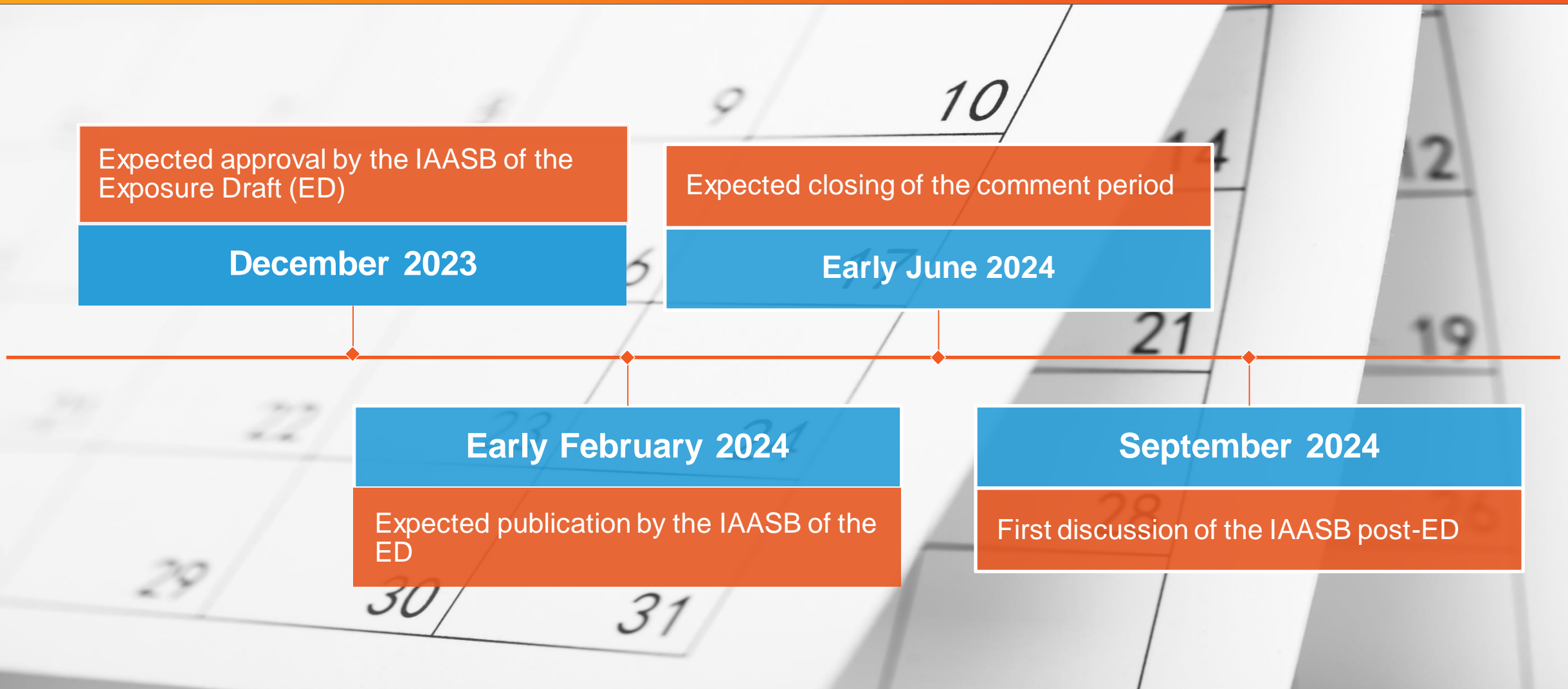
Matters for the IAASB Consideration

2. The Board is requested to provide its views regarding the Fraud TF's proposed changes as outlined in **Agenda Item 2–C**

Matters for the IAASB Consideration

3. The Board is asked for its views on the matters described in **Section III** of **Agenda Item 2**, in particular in relation to the exposure period and timing of completion, proposed implementation period, and effective date convention

Way Forward



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