

### Fraud – Feedback and Issues

#### Objective:

The objective of the IAASB discussion in December 2024 is to:

- (a) Provide an analysis of respondent's comments to questions from ED-240<sup>1</sup> that were not discussed by the Board in September 2024 and obtain the Board's input on the Fraud Task Force's (Fraud TF) views and recommendations to address key themes identified from the responses for these questions.
- (b) Obtain the Board's input on the draft of proposed ISA 240 (Revised), including:
  - (i) Significant changes for the matters that were discussed with the Board in September 2024, as well as off-line comments from the Board and feedback from coordination and outreach activities; and
  - (ii) Revisions to address respondents' comments on the questions described in (a) above.

#### Overarching Matter for IAASB Consideration

1. The Board is asked whether it agrees with the Fraud TF's summary of respondents' feedback presented in **Part A** of this Agenda Item, and whether there are any other significant issues raised by respondents that also should be considered?

#### *Approach to the Board Discussion*

The Fraud TF Chair and Staff will walk through the standard sequentially and, in doing so, include the matters for Board consideration as set out in **Part A** and **B** of this Agenda Item. See **Appendix 3** for a detailed overview of how the Fraud TF Chair and Staff intend to walk through the standard and address the matters for IAASB Consideration. After that, the Fraud TF Chair and Staff will introduce the conforming and consequential amendments.

## Introduction

### Background

1. At the September IAASB meeting, the Fraud TF presented to the Board an overview of respondents' comments to certain questions from ED-240 and the Fraud TF views and recommendations to address the key themes identified from the responses for those questions.<sup>2</sup>
2. The Board broadly supported the Fraud TF's views and recommendations as presented in **Agenda Item 8** for the IAASB September 2024 meeting. The Board also provided direction for the Fraud TF to consider further as it continues to respond to feedback from stakeholders in the development of

<sup>1</sup> Exposure Draft (ED-240): [Proposed International Standard on Auditing 240 \(Revised\), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements and Proposed Conforming and Consequential Amendments to Other ISAs](#).

<sup>2</sup> See [Agenda Item 8](#) presented to the Board in September 2024.

proposed ISA 240 (Revised). The draft September 2024 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 9–12, 2024* webpage.

### Materials Presented

3. This paper sets out the following:

- (a) **Part A:** Analysis of respondents' comments for certain questions of ED-240 (see paragraphs 10–107) and the Fraud TF views and recommendations to address the key themes, in the following Sections:

Section	Description
I	Professional Skepticism
II	Transparency requirements about fraud extended to entities other listed entities
III	Lack of a separate Stand-Back Requirement
IV	Scalability
V	Linkages to Other ISAs
VI	Other Matters
VII	Translation
VIII	Effective Date

- (b) **Part B:** Explanation of significant changes to the draft of proposed ISA 240 (Revised) since September 2024, in the following sections:

Section	Description
I	Risk identification and assessment
II	Fraud or suspected fraud
III	Third party fraud

- (c) **Part C:** Conforming and consequential amendments.

- (d) **Part D:** Way forward.

4. This Agenda Item includes the following appendices and other agenda items:

<b>Appendix 1</b>	Fraud TF members supporting IAASB Staff and activities
<b>Appendix 2</b>	Summary of NVivo reports and the related Section in <b>Part A</b> of this Agenda Item where the summary is presented
<b>Appendix 3</b>	Approach to the Board Discussion
<b>Agenda Item 10-A</b>	Explanation of Significant Deliberations and Changes
<b>Agenda Item 10-B</b>	Draft of Proposed ISA 240 (Revised) (Marked from September 2024)
<b>Agenda Item 10-C</b>	Draft of Proposed ISA 240 (Revised) (Clean version)
<b>Agenda Item 10-D</b>	Conforming and consequential amendments arising from proposed ISA 240 (Revised)
<b>Agenda Items 10-E.1 to 10-E.8 (Supplemental)</b>	Word NVivo reports that include comments from respondents
<b>Agenda Items 10-F.1 to 10-F.8 (Supplemental)</b>	Excel NVivo reports that analyze the respondents' comments

#### Outreach Activities

5. Refer to **Appendix 1**.

#### Coordination

##### *International Ethics Standards Board for Accountants (IESBA)*

6. Staff met with IESBA Staff after the September 2024 Board Meeting to update them on the status of the Fraud project. IAASB staff will continue to liaise with IESBA Staff and share this version of proposed ISA 240 (Revised) with them to obtain their input.

##### *Going Concern Task Force*

7. Staff on the Fraud and Going Concern projects liaised regarding the effective date of both standards. Also see paragraphs 106–107 for more information.

##### *Public Interest Entity (PIE) Track 2 Task Force*

8. Staff met with Staff on the PIE Track 2 project to understand the possible impact of the PIE Track 2 proposals on proposed ISA 240 (Revised) and the effective date.

##### *Professional Skepticism Consultation Group*

9. Staff will obtain input from members of the Professional Skepticism Consultation Group during Q1 2025 on whether the Fraud TF has adequately responded to feedback from respondents on matters

related to professional skepticism described in Part A, Section 1, paragraphs 13–15(k) of this Issues Paper.

## Part A: Summary of Respondents' Comments on ED-240

10. With the analysis of the questions included in this Part, the Fraud TF has presented to the Board its analysis of comments received on all questions in the Explanatory Memorandum to ED-240.

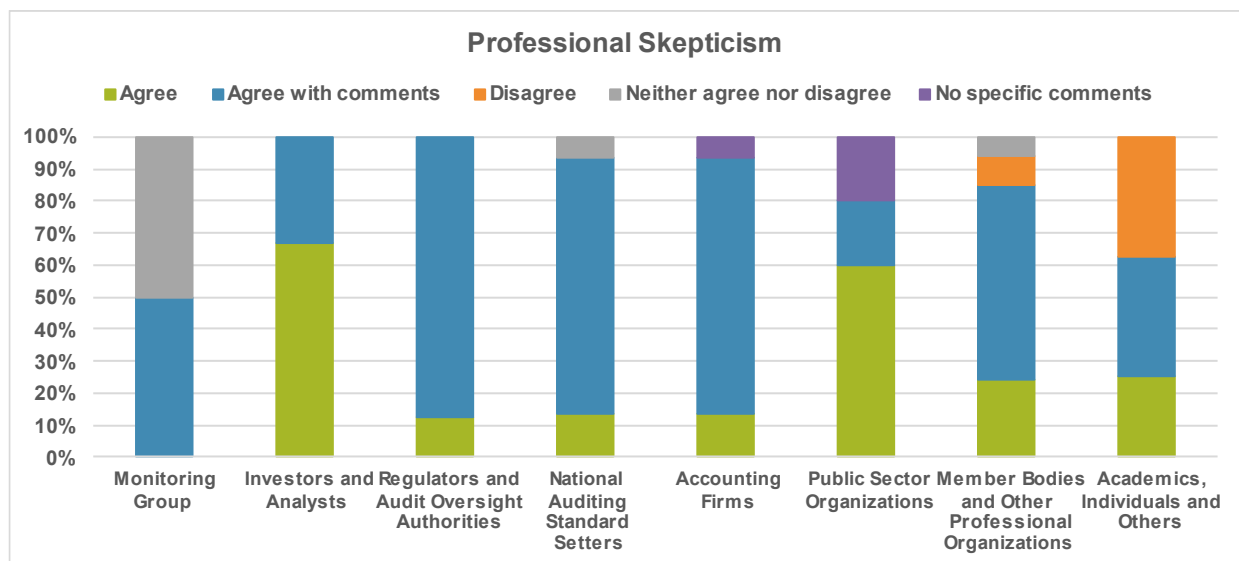
### Section I – Professional Skepticism

#### *Highlights from Respondents' Feedback*

- Respondents generally agreed that the IAASB has succeeded in reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism in fraud-related procedures.
- However, there were mixed views about the revisions proposed which deal with the conditional requirement in paragraph 20 and related application material relating to authenticity of records and documents.

#### Overview of Responses

11. Question 2 asked respondents for their views whether the requirements and application material of ED-240 reinforces the exercise of professional skepticism about matters relating to fraud in an audit of financial statements.
12. The chart below shows an analysis of the responses to question 2 per stakeholder group (see the separate NVivo reports in **Agenda Items 10-E.1 and 10-F.1** for further details).



#### Respondents' Comments

##### *Monitoring Group Respondents*

13. Monitoring Group respondents were supportive of efforts by the Board to reinforce the exercise of professional skepticism. Their recommendations to further enhance the proposed standard included:

- (a) Provide additional guidance on areas how and where the financial statements are most susceptible to fraudulent financial reporting (e.g., revenue recognition, related party transactions, etc.) and reinforce the auditor's exercise of professional skepticism as it relates to these specific areas.
- (b) Broaden the requirement in paragraph 20 of ED-240 to be about exercising professional skepticism beyond authenticity of records and documents because authenticity is only one of several attributes relating to the reliability of information intended to be used as audit evidence and provide a link to extant ISA 500.<sup>3</sup>
- (c) With regard to authenticity specifically, supported efforts by the IAASB in proposed ISA 500 (Revised),<sup>4</sup> that lists authenticity as an attribute to consider when evaluating the reliability of information intended to be used as audit evidence.

However, both respondents believe paragraph A24 of ISA 200<sup>5</sup> should be strengthened through a consequential amendment to more closely align with the requirements relating to reliability of information intended to be used as audit evidence in extant ISA 500 or proposed ISA 500 (Revised). Specifically, one Monitoring Group respondent proposed a consequential amendment to paragraph A24 of ISA 200 that states the auditor should consider authenticity in their evaluation of the reliability of information provided rather than "*accepting the information as genuine unless the auditor has reason to believe the contrary.*" The other Monitoring Group respondent proposed that the lead-in sentence to that paragraph be deleted altogether.

- (d) Use stronger language in ED-240 (e.g., challenge, question, reconsider) as a means of describing the appropriate mindset of auditors when complying with the fraud auditing standard.

#### Other Respondents

- 14. Respondents who agreed on question 2 believe that the IAASB has successfully reinforced the exercise of professional skepticism by:
  - (a) Highlighting the importance of professional skepticism in the Key Concepts section of the Introduction.
  - (b) Introducing new requirements and enhancing others and the related application material in the body of the standard.
  - (c) Removing the reference to "*unless the auditor has a reason to believe the contrary, the auditor may accept records and documents as genuine.*"
  - (d) Removing the references to past experience of honesty and integrity of management and those charged with governance (TCWG) throughout ED-240.

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<sup>3</sup> ISA 500, *Audit Evidence*

<sup>4</sup> Proposed ISA 500 (Revised), *Audit Evidence*

<sup>5</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

15. The areas where respondents felt there were opportunities to further enhance ED-240 across all response categories (e.g., agree with comments, neither agree nor disagree, and disagree with comments) were as follows (categorized by theme):

Conditions Identified that Cast Doubts about the Authenticity of Records and Documents

- (a) Respondents representing regulators and audit oversight bodies generally agreed with the views of the Monitoring Group respondents described in paragraph 13(c) above.

In contrast, respondents representing accounting firms, member bodies and other professional organizations, generally expressed concerns about the IAASB's decision to remove the lead-in sentence in paragraph 20 of ED-240: "*Unless the auditor has reason to believe the contrary, the auditor may accept the records and documents as genuine*". They believe the sentence was referring to an important concept in ISA 200 (i.e., in paragraph A24) that deserves to remain in the proposed standard. Some respondents also argued that removing the sentence when taken together with the addition of several application material paragraphs in ED-240 (e.g., paragraphs A25–A28) will be misconstrued as an expansion of the responsibilities of the auditor associated with the authenticity of records or documents obtained during the audit.

Some respondents were supportive of the removal of this sentence from paragraph 20 in ED-240 as long as the IAASB introduces a cross reference in paragraph A26 to ISA 200 paragraph A24.

- (b) Respondents asked for clarification about how ISA 500, ISA 200 and ED-240 interact regarding the attribute of authenticity.
- (c) Respondents observed that the examples in paragraph A26 of ED-240 could imply that auditors have an affirmative obligation to design and conduct specific procedures aimed at identifying conditions suggesting that records or documents are inauthentic or inappropriately altered. They expressed concern that the inclusion of these examples could increase firms' liability, particularly if a condition associated with fraud goes undetected during the audit. Additionally, some respondents believe that providing lists of examples within the standard (e.g., paragraphs A26 and A29 of ED-240) may inadvertently encourage a checklist mentality, which could dilute the exercise of professional skepticism rather than reinforce it.
- (d) Respondents noted that the references in paragraph A27 of ED-240 are inappropriately referring to concepts or terminology that are in the latest proposed version of ISA 500 (Revised) but not in extant ISA 500. They believe this is premature given that the proposed audit evidence standard has not yet been approved by the Board.

Removal of References to Past Experience with Management and TCWG

- (e) Respondents who disagreed with the IAASB's decision to remove references throughout the standard to the auditor's past experience of the honesty and integrity of management, believe the references reinforce rather than undermine the exercise of professional skepticism. Specifically, respondents asked the IAASB to reinstate the following in the proposed standard:
- (i) The text removed from paragraph 13 in extant ISA 240 (now paragraph 19 of proposed ISA 240 (Revised)) which dealt with the auditor maintaining professional skepticism throughout the audit: "*..., notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance.*"

- (ii) The text removed from paragraph 16 of extant ISA 240 (now paragraph 29 of proposed ISA 240 (Revised)) which required the engagement team to set aside “*beliefs that the engagement team members may have that management and those charged with governance are honest and have integrity*”.

#### Other Feedback Pertaining to the Requirements in Paragraphs 19–21 of ED-240

- (f) Respondents expressed the view that the part of the following sentence in paragraph 19 of ED-240 that is in bold font could be misinterpreted to broaden the role and responsibilities of the auditor relating to fraud: “*In applying ISA 200, the auditor shall maintain professional skepticism throughout the audit, recognizing the **possibility that a material misstatement due to fraud could exist**.*”
- (g) Respondents recommended that the IAASB expand the requirement in paragraph 21 of ED-240 to be broader than just indications of fraud. Specifically, they proposed that the requirement should also refer to fraud risk factors (i.e., events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud). In contrast, other respondents proposed that paragraph 21 be narrowed to indications of material misstatements due to fraud.

#### Inquiries of Management, TCWG, and Others Within the Entity

- (h) A respondent proposed that the IAASB return the requirement in paragraph 30 of ED-240 to its original placement in the extant ISA 240 (i.e., within the professional skepticism requirements) because auditors may encounter inconsistent responses to inquiries at any point during the audit and not just when performing risk assessment procedures. Other respondents thought the requirement should be expanded to include implausibility and not be limited to inconsistent responses.

#### Relevance of Some of the Paragraphs of Application Material

- (i) Respondents did not think paragraphs A13, A14, A31 and A32 were relevant to the paragraphs in the introduction or requirements relating to professional skepticism and some of those respondents thought the material was duplicative of material in other ISAs.

#### Auditor Mindset

- (j) Respondents reiterated the feedback they had provided when responding to the IAASB’s [Discussion Paper](#) relating to fraud and going concern that the IAASB should introduce “stronger language” (e.g., challenge, question, reconsider) in the proposed standard as a means of eliciting the appropriate exercise of professional skepticism from auditors.
- (k) Respondents also noted that the standard should require auditors to approach audits with a “suspicious mindset”.

#### The Fraud TF’s Views and Recommendations

<i>Relevant Paragraphs in <b>Agenda Item 10-B</b>:</i>	<b><i>Paras. 12–13, 19–21B, A13–A14, A24–A28A</i></b>
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- 16. The Fraud TF acknowledges the support expressed by respondents to reinforce the exercise of professional skepticism. Regarding the feedback detailed in paragraph 13–15(k) above, the Fraud TF have the following views and recommendations relating to each of the topical areas:

*Conditions Identified that Cast Doubts about the Authenticity of Records and Documents*

17. The Fraud TF acknowledges the mixed views among respondents regarding ED-240's revisions concerning requirements and application material for situations where conditions identified during the audit lead the auditor to question a document's authenticity or suspect that document terms may have been falsified. Respondents—primarily accounting firms, member bodies, and other professional organizations—felt that ED-240's revisions went too far (see paragraphs 15(a), 15(c), and 15(d) above), whereas regulators and audit oversight bodies, including Monitoring Group members, generally felt that the revisions did not go far enough (see paragraphs 13(c) and 15(a) above).
18. The following is the Fraud TF's analysis of the issue, including how ISA 500, ISA 200 and ED-240 are intended to interact.

Background

19. Paragraph A24 of ISA 200 states: "*The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary*". That sentence was repeated in extant ISA 240 (i.e., para. 14) and paragraph A10 expands on the sentence by stating: "*An audit performed in accordance with ISAs rarely involves the authentication of documents, nor is the auditor trained as or expected to be an expert in such authentication.*"
20. In developing ED-240, the IAASB sought to reinforce professional skepticism by concluding that the referenced sentences were unnecessary in this context. The conditional requirement in paragraph 14 of extant ISA 240 (and paragraph 20 of ED-240) is triggered only when conditions arise that cast doubt on document authenticity. As such, the IAASB determined that the lead-in sentence was not only redundant but also potentially weakened professional skepticism, especially in scenarios where the exercise of professional skepticism is essential due to identification of conditions requiring further investigation.
21. To clarify the interactions between ISA 200, ISA 500, and ED-240, the IAASB added application material in ED-240. Paragraphs A26 and A27 clarify that the requirement in paragraph 20 of ED-240 is triggered under the following circumstances:
  - (a) When performing audit procedures in accordance with ED-240 or other ISAs, including ISA 500 which requires the auditor to consider the reliability of information intended to be used as audit evidence when designing and performing audit procedures; or
  - (b) When those conditions come to the auditor's attention, including when they are brought to the auditor's attention by sources internal or external to the entity during the course of the audit.
22. ED-240, paragraph A26, includes examples of conditions that may trigger the requirement in paragraph 20, intending to provide practical guidance for auditors.

Views and Recommendations

23. The Fraud TF believes that the IAASB has achieved its objectives in ED-240 regarding the attribute of authenticity of records and documents. The unnecessary sentence was removed from the conditional requirement, which focuses on situations where identified conditions prompt further investigation. Furthermore, linkages to other ISAs, notably ISA 500, were strengthened to clarify that while auditors are not required to design procedures to identify conditions specifically (i.e., indications that a document may be inauthentic or modified), those conditions may nonetheless come to light through procedures performed in accordance with ISA 500 or other ISAs.



24. However, the Fraud TF sees an opportunity to improve clarity on how document authenticity ties into the auditor's work under ISA 500. Paragraph A24 in ISA 200 states: *"The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, the auditor is required to consider the reliability of information to be used as audit evidence."*
25. This second sentence in paragraph A24 pertains to the work required under paragraphs 7–9 of ISA 500. When conditions arise while performing procedures under these requirements, the conditional requirement in paragraph 20 of ED-240 is triggered, requiring further investigation. While ISA 500 procedures are not the only way that conditions may be identified by the auditor (as outlined in paragraph 21 above), they are the most likely. Accordingly, the Fraud TF proposes reordering ED-240's application material to present the ISA 500 work effort described in paragraph A27 of ED-240 (See paragraph A25E of **Agenda Item 10-B**) before paragraph A26 of ED-240. This adjustment provides a more logical flow and tells a more coherent story about the required work effort.
26. Regarding the recommendation in paragraph 13(c) above that the IAASB reflect a consequential amendment in paragraph A24 of ISA 200 to the lead-in sentence of that paragraph, the Fraud TF believes that such an amendment, if warranted, should be considered by the Audit Evidence and Risk Response project team. Some stakeholders believe that the revisions currently being considered by the IAASB in the version of proposed ISA 500 (Revised) that was presented to the Board at the March 2024 IAASB meeting (i.e., which is referred to as the Pre-finalization Holding Package of Proposed ISA 500 (Revised)) has strengthened the work effort by the auditor related to evaluating the reliability of information intended to be used as audit evidence, including the attribute of authenticity of records and documents. Accordingly, the Audit Evidence and Risk Response project team would be best positioned to determine whether a consequential amendment is required to paragraph A24 of ISA 200 as that project progresses.
27. Finally, because of the manner in which ISA 200, ISA 500 and ED-240 interact, including that the conditional requirement in paragraph 20 of ED-240 is triggered when results from audit procedures performed identify conditions or when conditions otherwise come to the auditor's attention during the course of the audit, just removing the first sentence in paragraph A24 of ISA 200 may not be sufficient. Such amendment would need to be considered in the context of the auditor's related work effort that may identify such conditions and related matters, for example, the recognition in paragraph A52 of ISA 200 that the auditor is not an expert in the authentication of documents. This matter must be explored more broadly and cannot be addressed as a consequential amendment arising from ISA 240 (Revised).

#### *Removal of References to Past Experience with Management and TCWG*

28. The Fraud TF reaffirms its position that references to the auditor's past experience regarding the honesty and integrity of management are unnecessary, as they shift focus from the current audit to prior audits.

#### *Other Feedback Pertaining to the Requirements in Paragraphs 19–21*

29. The Fraud TF is not proposing revisions in response to concerns from respondents about the following phrase in paragraph 19: *"possibility that a material misstatement due to fraud could exist."* This language is intended to bring a fraud-lens perspective to paragraph 16 of ISA 200 and aligns with paragraph 13 of extant ISA 240.
30. The Fraud TF is also not proposing revisions to paragraph 21 of ED-240 to narrow its scope to indications of fraud that could cause the financial statements to be materially misstated. The Fraud TF reaffirms its position that auditors should remain alert throughout the audit to circumstances that may be indicative of

fraud or suspected fraud. When instances of fraud or suspected fraud are identified, based on the requirements in paragraphs 55–59 of ED-240, the auditor determines the impact of the fraud on the audit and that includes determining whether the fraud or suspected fraud results in a material misstatement of the financial statements.

31. The Fraud TF is however proposing the following two revisions to the professional skepticism requirements in paragraph 19–21 to respond to feedback received (Refer to **Agenda Item 10-B** for the proposed revisions):
- (a) Expand the requirement in paragraph 21 to require the auditor to remain alert throughout the audit to fraud risk factors (i.e., in addition to circumstances that may be indicative of fraud or suspected fraud).
  - (b) Move the requirement in paragraph 30 of ED-240 back to its original placement in the professional skepticism section. Specifically, the Fraud TF agrees that the requirement is broader than addressing inconsistent responses to inquiries made during risk assessment procedures of management and TCWG.

*Relevance of Some of the Paragraphs of Application Material Relating to Professional Skepticism*

32. To appropriately address the feedback described in paragraph 15(i) above related to paragraphs A13, A14, A31 and A32 of ED-240, the Fraud TF revisited the purpose for those paragraphs.
33. With regard to paragraphs A13 and A14, the Fraud TF proposes these paragraphs be retained because they serve as important reminders that the exercise of professional skepticism and professional judgements at the engagement level are underpinned by a commitment at the firm level to an effective system of quality management, including a commitment to quality by leadership of the firm. Similarly, the Fraud TF believes paragraphs A31 and A32 should be retained because they refer to circumstances that may be encountered during the audit that may impede the exercise of professional skepticism and that may also create threats to compliance with relevant ethical requirements.

**Auditor Mindset**

34. In response to feedback in paragraphs 15(j) and 15(k) above, the Fraud TF notes that, as indicated in footnote 2 of the Project Proposal, the Board chose not to introduce the concept of a “suspicious mindset” in the proposed ISA 240 (Revised) requirements. Instead, the Board focused on reinforcing the exercise of professional skepticism by strengthening requirements related to risk assessment, responses to assessed risks and actions by the auditor when indications of fraud or suspected fraud arise during the audit. The Fraud TF believes that the IAASB has met its objectives. The Fraud TF also believes that introducing stronger language in the standard, as described in paragraph 13(d) and 15(j) above, is not advisable because it could blur the lines between a financial statement audit and a forensic audit.

**Matters for IAASB Consideration:**

2. The Board is asked for its views on the Fraud TF recommendations and changes discussed above and reflected in **Agenda Item 10-B** to address matters relevant to professional skepticism:
- a) Does the Board agree with the Fraud TF’s views and recommendations in this section?

- b) Regarding the matter described in paragraph 26 and 27 above, does the Board agree with the Fraud TF's proposal that the matter be dealt with by the Audit Evidence Risk Response Project Team.

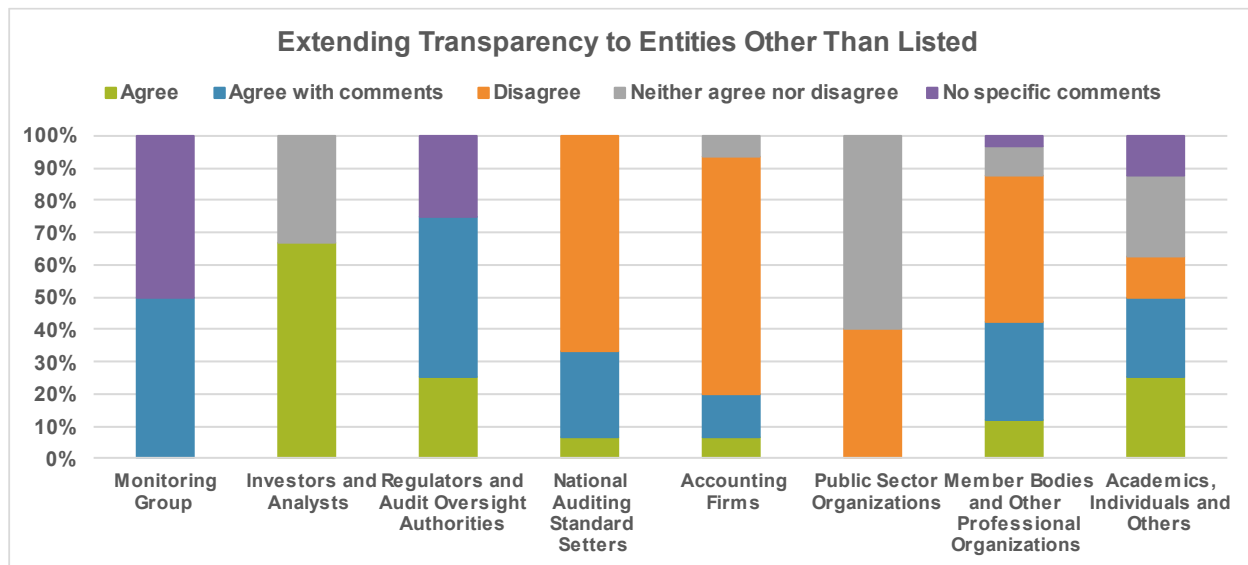
## Section II – Transparency Requirements About Fraud Extended to Entities Other Than Listed Entities

### *Highlights from Respondents' Feedback*

There were mixed views on whether the requirements introduced in ED-240 related to communicating key audit matters related to fraud in the auditor's report should be applicable to audits of financial statements of entities other than listed entities, such as PIEs.

### Overview of Responses

35. Question 6 asked respondents if they believe that transparency in the auditor's report about matters related to fraud introduced in ED-240 should be applicable to audits of financial statements of entities other than listed entities such as PIEs.
36. The chart below shows an analysis of the responses to question 6 per stakeholder group (see the separate NVivo reports in **Agenda Items 10-E.2 and 10-F.2** for further details).



### Respondents' Comments

#### *Monitoring Group Respondents*

37. The Monitoring Group member that responded to this question agreed that transparency in the auditor's report about matters related to fraud introduced in ED-240 should be applicable to audits of financial statements of entities other than listed entities such as PIEs.

#### *Other Respondents*

38. There were mixed views on whether the transparency requirements for auditor reporting introduced in ED-240 should be applicable to audits of financial statements beyond listed entities. Generally, respondents were of the view that the transparency related requirements should not be extended beyond PIEs.
39. One group of respondents didn't believe the differential requirements on transparency in the auditor's report related to fraud in ED-240 should be applicable to audits of financial statements of entities other than listed entities. They noted the following reasons:
- (a) Limited benefits for non-listed entities versus associated costs. Respondents noted that the potential benefits of extending Key Audit Matters (KAMs), including fraud-related KAMs, to non-listed entities do not justify the associated costs. In that regard, they noted that owner-managed businesses or smaller entities often have close relationships with their stakeholders making formal KAM communication less valuable.
  - (b) Inconsistent definition and application of PIEs. Respondents noted concerns about the inconsistent application of the PIE definition across jurisdictions. They suggested that the IAASB should wait for the PIE Track 2 project to finalize before making any changes to ISA 240 (Revised).
  - (c) Jurisdictional and reporting differences. Respondents noted that PIEs are not subject to the same public reporting requirements as listed entities, which creates the risk of auditors disclosing original information. This could lead to inappropriate or inconsistent disclosures across different jurisdictions.
  - (d) Potential for boilerplate disclosures. Respondents noted that expanding KAMs to all PIEs could lead to standardized, boilerplate KAMs that provide little value to stakeholders. This would undermine the purpose of KAMs, which are meant to provide meaningful, entity-specific information.
40. Another group of respondents supported extending the transparency requirements:
- (a) To PIEs. These respondents were of the view that:
    - (i) It is in the public interest to enhance transparency for PIEs;
    - (ii) ISA 240 (Revised) should stay aligned with ISA 701.<sup>6</sup> These respondents were assuming that the scope of ISA 701 would be expended to PIEs given the IAASB's proposals as set out in the [Exposure Draft of the PIE Track 2 project](#).
  - (b) To certain categories of PIEs. Respondents noted that jurisdiction should be permitted not to extend KAMs related to fraud to audits of certain PIEs which have a limited number of intended users of the auditor's report (e.g., non-publicly traded entities or PIE that may be non-complex in nature).

#### The Fraud TF's Views and Recommendations

Relevant Paragraphs in <b>Agenda Item 10-B</b> :	<b>Paras. 61–63, A163–A179</b>
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41. The Fraud TF acknowledges respondents' comments, discussions held by the IAASB on its PIE Track 2 project in September 2024, and the IAASB reaffirming in September 2024 the requirements in proposed

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<sup>6</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

ISA 240 (Revised) for communicating key audit matters related to fraud in the auditor's report. Based on this, the Fraud TF is of the view that transparency in the auditor's report about matters related to fraud introduced in ED-240 should be aligned with the base requirements in ISA 701 in the context of scope and applicability (i.e., having a different scope would be confusing to users of the financial statements).

**Matters for IAASB Consideration:**

3. The Board is asked for its views on the Fraud TF recommendations as set out above.

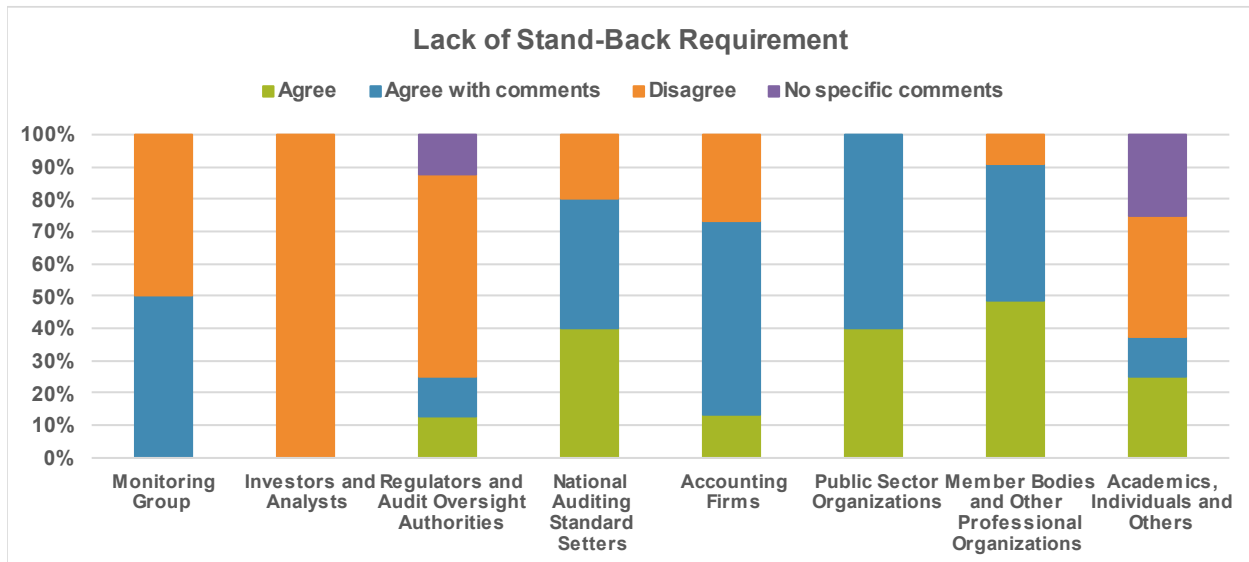
## Section III – Lack of a Separate Stand-Back Requirement

**Highlights from Respondents' Feedback**

There were mixed views across stakeholder's groups on the IAASB's decision not to have a separate stand-back requirement in ED-240.

### Overview of Responses

42. Question 7 asked respondents whether they agreed with the IAASB's decision for not including a separate stand-back requirement in ED-240.
43. The chart below shows an analysis of the responses to question 7 per stakeholder group (see the separate NVivo reports in **Agenda Items 10-E.3 and 10-F.3** for further details).



### Respondents' Comments

#### *Monitoring Group Respondents*

44. The two Monitoring Group respondents had mixed views about the IAASB's decision not to introduce a separate stand-back requirement in ED-240. One Monitoring Group respondent supported the IAASB's decision while the other believed a separate stand-back requirement is necessary to emphasize the importance of the auditor remaining alert for information that is indicative of fraud or fraud risk factors.

#### *Other Respondents*

45. There were also mixed views across the other stakeholder groups for the IAASB's decision not to have a separate stand-back requirement in ED-240.
46. Respondents who supported the IAASB's decision noted that the existing stand-back requirements in other ISAs, including ISA 315 (Revised 2019)<sup>7</sup> and ISA 330<sup>8</sup>, are sufficient. Nevertheless, some of those respondents also suggested adding application material to cross-reference ED-240 to the applicable stand-back requirements in other ISAs, including in ISA 315 (Revised 2019) and ISA 330.
47. In contrast, respondents who disagreed with the IAASB's decision had similar concerns to those expressed by the Monitoring Group respondent as described in paragraph 44 above. Other respondents also pointed at the need for the IAASB to develop a framework that describes a coherent approach for integrating stand-back requirements in the suite of ISAs.

### The Fraud TF's Views and Recommendations

48. The Fraud TF acknowledged the mixed views from respondents about the IAASB's decision not to introduce a separate stand-back requirement in ED-240.
49. The Fraud TF reaffirms its position that the proposed standard should not include a separate stand-back requirement because of the intent and impact of existing stand-back requirements in other ISAs.<sup>9</sup> The existing stand-back requirements require the auditor to consider, among other things, whether the audit evidence obtained adequately supports the auditor's risk identification and assessment and responses to assessed risks.
50. On balance, the Fraud TF also believes that it is important for the IAASB to determine how, and to what extent, to integrate and clarify the various subject matter-specific stand-back requirements across the ISAs to increase their effectiveness and be more distinctive. The aim of such an initiative would be to ensure the IAASB has an integrated and coherent approach for integrating stand-back requirements across the suite of ISAs. The project proposal for the Audit Evidence and Risk Response project, as presented in [Agenda Item 5-A](#), includes a proposed action to consider this matter further.
51. Finally, the Fraud TF deliberated whether to add application material, as proposed by respondents, to cross reference to applicable stand-back requirements in other ISAs but decided against it because the interoperability of the standards is already addressed in paragraph 1 in **Agenda Item 10-B**.

#### Matters for IAASB Consideration:

4. The Board is asked for its views on the Fraud TF recommendation as set out above.

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<sup>7</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>8</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>9</sup> Existing stand-back requirements and guidance in other ISAs include ISA 220 (Revised), paragraphs 32 and A90–A9, ISA 315 (Revised 2019), paragraphs 35 and A230–A232, ISA 330, paragraphs 25–27 and A60–A62, ISA 540 (Revised), paragraphs 33–35, A12–A13 and A137–A144.

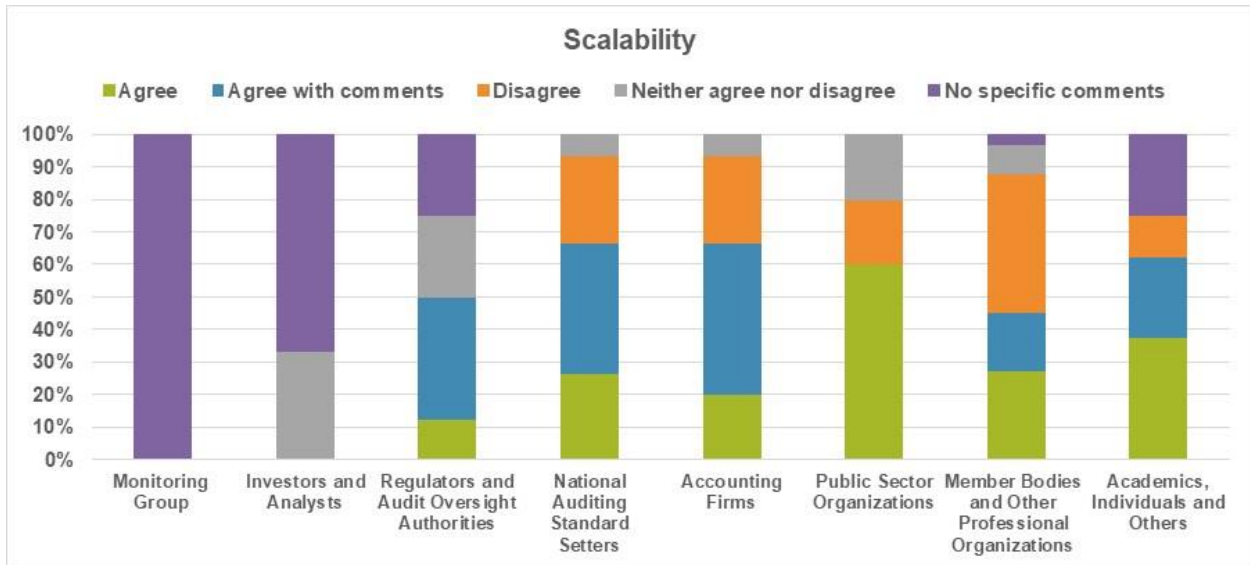
## Section IV – Scalability

### Highlights from Respondents' Feedback

- General support for the scalability guidance and examples in ED-240.
- Views that further application material is necessary for:
  - Risk identification and assessment.
  - Fraud or suspected fraud requirements.

### Overview of Responses

52. Question 8 asked respondents if they believed that the proposed standard is scalable to entities of different sizes and complexities, given that matters related to fraud in an audit of financial statements are relevant to audits of all entities, regardless of size or complexity.
53. The chart below shows an analysis of the responses to question 8 per stakeholder group (see the separate NVivo reports in **Agenda Items 10-E.4 and 10-F.4** for further details).



### Respondents' Comments

#### Monitoring Group Respondents

54. The Monitoring Group respondents did not provide a response to this question.

#### Other Respondents

55. Respondents who agreed that ED-240 is scalable to entities of different sizes and complexities supported the inclusion of:
- (a) Principles-based requirements;
  - (b) Conditional requirements;
  - (c) Differential requirements applicable to listed entities (ISA 701); and

- (d) Scalability consideration specific for smaller or less complex entities in ED-240.
56. These respondents also noted that the examples and scalability considerations in the application material sufficiently illustrate how the auditor may tailor the audit procedures based on the nature and circumstances of the audit engagement.
57. Key concerns from respondents (e.g., agree with comments, neither agree nor disagree, and disagree with comments) about ED-240's scalability included the following:

*Risk Identification and Assessment*

- (a) Respondents noted that more guidance or conditional requirements are needed to support audits of smaller or less complex entities given the different control environments and internal control processes in these entities. Respondents believe that the application material in ED-240 on scalability (e.g., paragraphs A58, A74, A87 and A88) do not address their concerns. Respondents recommended the Board consider including additional application material on obtaining an understanding of the entity and its environment, the applicable financial reporting framework, the entity's system of internal control and significant risks related to management override of controls.
- (b) Respondents suggested adding specific application material that applies to non-profit organizations, including application material which describes that these entities may have a higher risk of material misstatements (ROMMs) due to fraud in areas other than revenue recognition.

*Fraud or Suspected Fraud*

- (c) Respondents expressed concerns about scalability and proportionality of the fraud or suspected fraud requirements under paragraphs 55–59 in ED-240. Respondents were concerned about:
- (i) How the auditor would respond to a large number of alleged frauds identified during the audit which are clearly inconsequential.
- (ii) How the auditor goes about determining the appropriate level of management for making inquiry when top management of the entity was involved in the fraud or suspected fraud.

**Fraud TF Views and Recommendations**

*Risk Identification and Assessment*

58. The Fraud TF noted the substantial overlap in respondents' feedback on scalability already considered on question 3 (which deals with risk identification and assessment which the Board discussed in September 2024). The Fraud TF is of the view that scalability is addressed thoroughly in ISA 315 (Revised 2019) and, given that ISA 240 (Revised) is meant to be applied in conjunction with the other ISAs, no further amendments are needed in this regard.
59. In addition, the Fraud TF acknowledges respondents' concerns regarding areas where there is a higher ROMM due to fraud in non-profit organizations. The Fraud TF is of the view that proposed ISA 240 (Revised) enables auditors to appropriately identify ROMMs due to fraud other than revenue recognition and has therefore not proposed further revisions for this matter.

*Fraud or Suspected Fraud*

60. The Fraud TF also noted the substantial overlap in respondents' feedback on scalability already considered on question 4 (which deals with the fraud or suspected fraud requirements, which the Board



discussed in September 2024). The Fraud TF is of the view that the scalability and proportionality concerns of respondents have been appropriately addressed as part of the Board's revisions on the fraud or suspected fraud requirements and related application material made to proposed ISA 240 (Revised) as presented to the Board at the September 2024 Board Meeting<sup>10</sup> and further revisions proposed to the related application material as described in **Section II of Part B** below.

#### Matters for IAASB Consideration:

5. The Board is asked for its views on the Fraud TF recommendations as set out above.

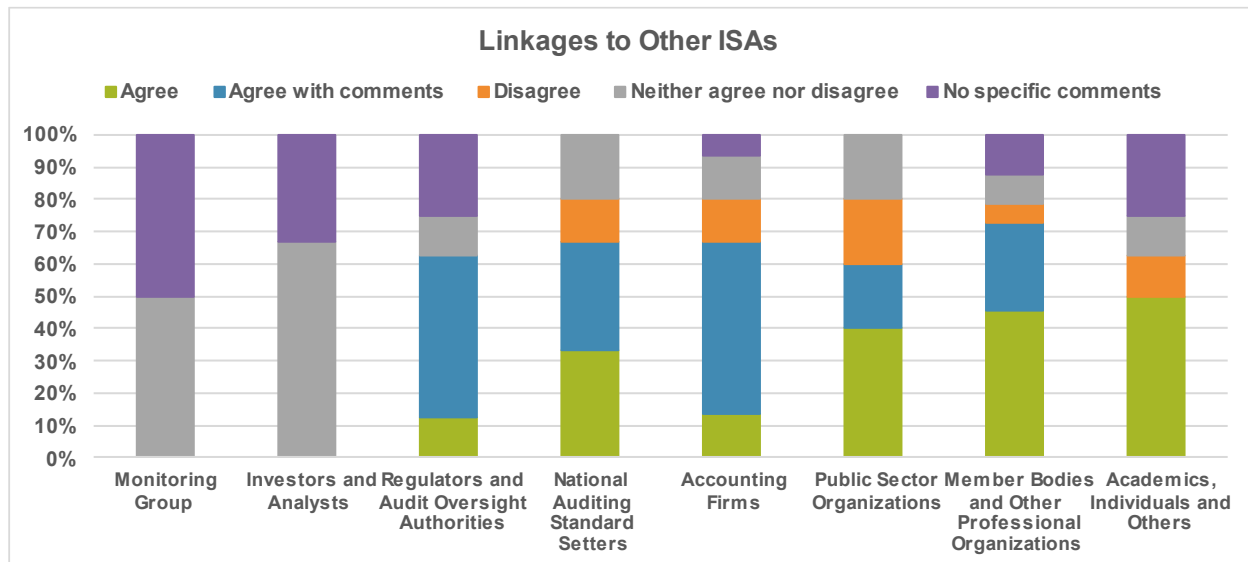
## Section V – Linkages to Other ISAs

#### Highlights from Respondents' Feedback

- Respondents generally agreed that ED-240 has appropriately addressed the linkages to other ISAs to promote the application of the ISAs in an integrated manner.
- However, respondents highlighted two areas where linkages could be clarified: ISA 315 (Revised 2019) and ISA 250 (Revised).<sup>11</sup>

#### Overview of Responses

61. Question 9 asked respondents if they agreed that ED-240 has appropriate linkages to other ISAs to promote the application of the ISAs in an integrated manner.
62. The chart below shows an analysis of the responses to question 9 per stakeholder group (see the separate NVivo reports in **Agenda Items 10-E.5 and 10-F.5** for further details).



<sup>10</sup> See [Agenda Item 8 of the September 2024 IAASB meeting](#), Section III – Fraud or Suspected Fraud.

<sup>11</sup> ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

## Respondents' Comments

### *Monitoring Group Respondents*

63. One Monitoring Group respondent neither agreed nor disagreed with question 9 but did not provide specific comments for this question.

### *Other Respondents*

64. Respondents generally agreed that the IAASB had improved the linkages with the other ISAs in ED-240. Respondents noted that the linkages provided promote the application of the ISAs in an integrated manner and believed that the alignment with other ISAs, specifically ISA 315 (Revised 2019), is a significant improvement.
65. However, respondents also raised some concerns regarding the linkages with the following standards:

#### Linkages with ISA 315 (Revised 2019)

- (a) Respondents noted that the numerous linkages with ISA 315 (Revised 2019) might inadvertently lead auditors to duplicate risk assessment procedures and related documentation. In addition, respondents noted some duplication in ED-240 to the requirements in ISA 315 (Revised 2019) and were concerned that this may lead to different interpretation or misalignment of requirements included in both standards.

#### Linkages with ISA 250 (Revised)

- (b) Respondents encouraged the IAASB to further clarify how the auditor's responsibilities under law or regulation interact with the auditor's responsibilities with respect to fraud in an audit of financial statements. Respondents perceived ED-240 as broadening the auditor's responsibility to detect non-compliance with respect to laws and regulations that do not have a direct effect on the financial statements. Respondents acknowledged the overlap between the concepts of fraud and non-compliance with laws and regulations (NOCLAR). To address this, respondents propose that the IAASB revise paragraph 14 of ED-240 to distinguish between fraud, suspected fraud and NOCLAR and clarify that ISA 250 (Revised) is only applicable when fraud or suspected fraud meet the definition of non-compliance as included in ISA 250 (Revised).
- (c) In addition, respondents noted that, although paragraph 14 of ED-240 indicates that fraud constitutes an instance of NOCLAR, it isn't clear under what circumstances instances of NOCLAR constitute an instance of fraud. Respondents also suggested adding conforming and consequential amendments to ISA 250 (Revised) to strengthen the linkages between the two standards.

## Fraud TF Views and Recommendations

66. The Fraud TF acknowledges the support in the written responses related to the linkages between ED-240 and other ISAs. In response to the concerns noted above, the Fraud TF has the following view and recommendations.

Linkages with ISA 315 (Revised 2019)

- (a) The Fraud TF noted that there is substantial overlap in respondents' comments with matters raised in response to question 3 (on risk identification and assessment, which the Board discussed in September 2024) and is of the view that the revisions to ED-240 as proposed at the September meeting would alleviate respondents' concerns. Specifically, the Fraud TF:
  - (i) Clarified paragraph 1 of proposed ISA 240 (Revised) to further explain that the requirements in proposed ISA 240 (Revised) are meant to be applied in conjunction with the base requirements; and
  - (ii) Streamlined certain requirements to limit the duplication from the base requirements.

Linkages with ISA 250 (Revised)

- (b) The Fraud TF concluded that the presumption that all fraud or suspected fraud are instances of NOCLAR is appropriate. However, the Fraud TF reflected on paragraph 14 of ED-240 and noted that the construct of paragraph 14 may create some confusion as it refers to two different sets of additional responsibilities for the auditor, including:
  - (i) Additional responsibilities under law, regulation or relevant ethical requirements.
  - (ii) Additional procedures to be performed in the context of the audit engagement.
- (c) In addition, the Fraud TF noted that the additional responsibilities for the auditor under law, regulation or relevant ethical requirements are also included in paragraph 9 of ISA 250 (Revised). Therefore, the Fraud TF proposed streamlining the paragraph to remove the duplication with ISA 250 (Revised). In addition, the Fraud TF proposed new application material and reordered the application material to further explain the linkages between proposed ISA 240 (Revised) and ISA 250 (Revised).
- (d) The Fraud TF believes that conforming or consequential amendments to ISA 250 (Revised) are not necessary given the additional clarification proposed in ISA 240, as explained above.

**Matters for IAASB Consideration:**

- 6. The Board is asked for its views on the Fraud TF recommendations as set out above.

## Section VI – Other Matters

### Overview of Responses

67. This section summarizes the other substantive themes from the written responses for question 10 (see the separate NVivo report in **Agenda Item 10-E.6 and 10-F.6** for further details), along with the Fraud TF's views and recommendations in relation to those themes.
68. Based on the analysis of question 10 which deals with other matters, respondents provided feedback on the following:
- (a) Responses to the Assessed ROMMs Due to Fraud (see section VI-A)
  - (b) Journal Entries (see section VI-B)
  - (c) Documentation (see section VI-C)
  - (d) Engagement Resources and Use of Forensic Experts (see section VI-D)
  - (e) Impacts of Technology Used by Entities and Auditors (see section VI-E)
  - (f) Public Sector (see section VI-F)
  - (g) Conforming and Consequential Amendments (see section VI-G)

### A – Responses to Assessed ROMMs Due to Fraud

<i>Relevant Paragraphs in <b>Agenda Item 10-B:</b></i>	<i><b>Paras. 43–48, 51–54, A114–A123A, A136–A143</b></i>
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#### *Respondents' Comments*

##### Monitoring Group Respondents

69. One Monitoring Group respondent commented that the examples for incorporating an element of unpredictability in the selection of audit procedures provided in paragraph A114 of ED-240 is not directly linked to assessed ROMMs due to fraud.

##### Other Respondents

70. Respondents provided feedback on the requirements and application material on the responses to assessed ROMMs due to fraud as follows:

##### Unpredictability in the Selection of Audit Procedures

- (a) Respondents noted that the requirement to incorporate an element of unpredictability in the selection of audit procedures is now under its own separate subheading. In extant ISA 240, the requirement was under the overall responses subheading, which applied to ROMMs due to fraud at the financial statement level. Respondents perceived this change as an important change in scope of the requirement. They encouraged the IAASB to clarify whether the change in scope was intentional and, if so, whether elements of unpredictability need to be incorporated in response to every ROMM due to fraud.

#### Audit Procedures Responsive to ROMMs Due to Fraud Related to Management Override of Controls

- (b) Respondents indicated that the use of “*Irrespective of the auditor’s assessment of the risks of management override of controls*” at the beginning of the requirement in paragraph 48 of ED-240 may imply that the auditor could determine the risk at another level than significant risk. Such determination would be inconsistent with requirements in paragraphs 40(b) and 42 of ED-240. Therefore, respondents suggest removing this part from the requirement.

#### Accounting Estimates

- (c) Respondents disagreed with the IAASB’s proposal to refocus the requirements in ED-240 related to accounting estimates (i.e., paragraphs 28, 51 and 52) to all accounting estimates (versus only significant accounting estimates in extant ISA 240 and ISA 540 (Revised)<sup>12</sup>). Respondents believe this change requires auditors to consider all accounting estimates, regardless of their nature, size or inherent risk, and is accordingly too onerous.

#### Fraud TF Views and Recommendations

- 71. The Fraud TF acknowledges the comments received and has the following views and recommendations relating to each of the topical areas:

##### Unpredictability in the Selection of Audit Procedures

- (a) With respect to the Monitoring Group respondent’s concern about the examples in paragraph A114, the Fraud TF notes that it is important for the auditor to maintain an open mind to new ideas and different perspectives when selecting procedures to be performed to address ROMMs due to fraud as fraud may arise in areas where the auditor may not expect it. Therefore, the Fraud TF is of the view that it is appropriate to have examples that may not be directly related to the ROMMs due to fraud previously identified. In addition, paragraph A115 includes a reference to Appendix 2 of proposed ISA-240 (Revised) as a source for possible audit procedures to choose from when incorporating an element of unpredictability. The Fraud TF is of the view that Appendix 2 provides examples that may be more clearly linked to the ROMMs due to fraud.
- (b) The Fraud TF is of the view that relocating the requirement to the overall responses section of the standard may have the unintended consequence that an auditor may conclude that it is not applicable to the audit engagement when they have not identified financial statement level risks (given that overall responses are associated with financial statement level risks). The Fraud TF concluded that the change to incorporate an element of unpredictability in the auditor’s response to address all assessed ROMMs due to fraud (i.e., financial statement level and assertion level risks) was intentional. The Fraud TF remains of the view that the requirement is in the appropriate location because incorporating an element of unpredictability is applicable both when determining overall responses and when designing and performing audit procedures responsive to assessed ROMMs due to fraud at the assertion level.

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<sup>12</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Audit Procedures Responsive to ROMMs Due to Fraud Related to Management Override of Controls

- (c) The Fraud TF is of the view that the words “*Irrespective of the auditor’s assessment of the risks of management override of controls*” are an important reminder that the ROMMs due to fraud related to management override of controls are to be treated as significant risks in all cases. Therefore, the Fraud TF proposes that those words be retained, which is consistent with wording used in paragraph 42 of proposed ISA 240.

Accounting Estimates

- (d) The Fraud TF agreed with respondents and proposed to reinstate the word “significant” in paragraph 51. This will focus the auditor’s work effort on those accounting estimates that are significant to the audit.

**B – Journal Entries**

<i>Relevant Paragraphs in <b>Agenda Item 10-B</b>:</i>	<b><i>Paras. 49–50, A124–A135</i></b>
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*Respondents’ Comments*

Monitoring Group Respondents

72. One Monitoring Group respondent noted its support for the requirements and application material on journal entries. However, the Monitoring Group respondent asked the IAASB to clarify the concept of population in paragraph 50(b) and how that requirement is meant to be applied in the context of group audits. The Monitoring Group respondent noted that the requirement, as written in ED-240, may lead the group auditor to obtain audit evidence on the completeness of journal entries for components where the group auditor concluded that audit work will not be performed due to those components not presenting a ROMM. Also see paragraph 88 below in the conforming and consequential amendments section.

Other Respondents

73. Respondents provided the following feedback on the requirements and application material on journal entries and other adjustments:
- (a) Respondents noted a discrepancy between the requirement to test the completeness of journal entries throughout the period (paragraph 50(b)), and the requirement to select journal entries at the end of a reporting period (paragraph 50(c)). Although, respondents noted that paragraph 50(d) requires the auditors to determine the need to test journal entries and other adjustments throughout the period, respondents were of the view that there will be instances that journal entries will only be selected at the end of a reporting period. Therefore, respondents suggested aligning the requirement included in paragraph 50(b) with the period that the auditor will perform journal entry testing.
- (b) Respondents raised concerns on paragraph A128 noting that the application material does not provide guidance on how to test the completeness of the population of journal entries. It was noted that the paragraph includes a reference to the auditor’s understanding and evaluation of the entity’s information system and control activities (e.g., general IT controls) and that this could be interpreted as sufficient for determining completeness.

- (c) Respondents noted that the requirements could be perceived as a prescriptive set of procedures rather than driving a risk-based approach and do not sufficiently respond to the related ROMMs due to fraud assessed by the auditor. Although respondents acknowledged the considerations when selecting journal entries in Appendix 4 of ED-240, they suggested enhancing the linkage to the fraud risk factors identified by adding a reference to fraud risk factors in paragraphs 50(c) and 50(d) and focusing application material examples on high-risk criteria.

#### *Fraud TF Views and Recommendations*

74. The Fraud TF discussed the suggestions provided by the respondents. In particular, the Fraud TF:

- (a) Discussed the intent of paragraph 50(b) of ED-240 in the context of a group audit and what constitutes the population that is referred to in paragraph 50(b). Given the limited feedback received on paragraph 50(b), the Fraud TF reached out to practitioners in the Board to obtain their perspectives on how paragraph 50(b) would be applied in practice for group audits. Based on these conversations and discussions in the Fraud TF, the Fraud TF is of the view that the auditor shall obtain audit evidence about the completeness of the population for components for which further audit procedures are performed. The Fraud TF removed the word 'all' in paragraph 50(b) to address the confusion that the requirement includes all components, including those where the group auditor concluded that work will not be performed when applying ISA 600 (Revised).<sup>13</sup>
- (b) Acknowledges that paragraph 50(b) may be seen as inconsistent with 50(c). However, the Fraud TF is also cognizant that testing the completeness of the journal entry population for the year audited, provides the auditor with comfort that the population is complete. Therefore, the Fraud TF is of the view that the auditor must obtain audit evidence about the completeness of the population for the entire period to ensure the appropriateness of the population for which to perform journal entry testing.
- (c) Moved paragraphs within the application material related to the requirement on journal entries. The Fraud TF is of the view that paragraph A128 is better located under the selecting journal entries and other adjustments subheading as it is not aimed at providing guidance on obtaining audit evidence about the completeness of the population.
- (d) Noted that paragraph A130 refers to fraud risk factors. Therefore, the Fraud TF is of the view that the application material and Appendix 4 provide sufficient guidance for the auditor to appropriately select journal entries and other adjustments.

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<sup>13</sup> ISA 600 (Revised), *Special Considerations – Audit of Group Financial Statements (Including the Work of component Auditors)*

## C – Documentation

Relevant Paragraphs in <b>Agenda Item 10-B</b> :	<b>Paras. 70, A197</b>
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### *Respondents' Comments*

75. Although the Fraud TF did not identify themes in feedback from respondents regarding the documentation requirements, the following is a cross section of feedback provided on how the documentation requirements in ED-240 could be enhanced:
- (a) Include more specificity in the documentation requirement in paragraph 70(a) around the engagement team's discussion, including who participated and when it occurred.
  - (b) Add a requirement that deals with documenting responses to assessed ROMMs due to fraud.
  - (c) Add a documentation requirement relating to the requirement in paragraph 25 which requires an ongoing communication by the auditor with management and those charged with governance throughout the audit.
  - (d) Provide appropriate linkages from paragraph 70 of ED-240 to the documentation requirements in ISA 315 (Revised 2019) and ISA 330 to avoid creating the impression that the documentation requirements in ED-240 are separate and distinct from the documentation requirements in these standards.
76. Other respondents were of the view that requiring extensive documentation in all audit engagements may lead to unnecessary or boilerplate documentation, particularly for audits of less complex entities.

### *Fraud TF Views and Recommendations*

77. The Fraud TF considered respondents' comments and is of the view that the IAASB has achieved its objective of enhancing clarity around what needs to be documented for fraud-related procedures. The requirements in paragraph 70 of proposed ISA 240 (Revised) build on the requirements in the foundational standards and introduce specific requirements intended to clarify the application of ISA 230 with respect to particular matters addressed in proposed ISA 240 (Revised).

## D – Engagement Resources and Use of Forensic Experts

Relevant Paragraphs in <b>Agenda Item 10-B</b> :	<b>Paras. 22, A33-A36</b>
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### *Respondents' Comments*

78. Respondents expressed concerns that ED-240 could be misconstrued as suggesting that forensic experts are required in all audits and that in turn creates practical challenges, especially for smaller firms lacking access to these specialists. There was a call for clearer guidance on when and how specialists, including forensic experts, should be engaged in audits ensuring that the engagement partner retains the discretion on whether additional specialists should be engaged based on the nature of the engagement.



### *Fraud TF Views and Recommendations*

79. A key issue in the [project proposal](#) to revise ISA 240 referred to calls from stakeholders for auditors to engage forensic specialists on more audits. The proposed action in the Project Proposal was to consider a new requirement and enhanced application material for those circumstances when it is appropriate for the auditor to “*consider the need for specialized skills, including forensic skills*” to assist with audit procedures, such as:
- (a) When performing risk identification and assessment. In doing so, consider how this links to the requirements in ISA 220 (Revised)<sup>14</sup> for adequate resources for the engagement.
  - (b) When there is identified or suspected fraud.
80. The Fraud TF believes the IAASB has achieved this action by introducing a requirement in paragraph 22 of proposed ISA 240 (Revised) which acts as the fraud lens to the requirements in paragraphs 25–28 of ISA 220 (Revised) to require the engagement partner to determine whether the engagement team collectively has the appropriate competence and capabilities to comply with proposed ISA 240 (Revised) and to add specialized resources when necessary.
81. The Fraud TF reaffirmed its view that proposed ISA 240 (Revised) does not require nor suggest that specialized resources, including forensic experts, will be required on all audits. Nevertheless, the Fraud TF proposed some revisions to paragraph A34 of **Agenda Item 10-B** based on respondents’ feedback.
82. The Fraud TF also believes that proposed ISA 240 (Revised) already includes examples of the nature and circumstances that may indicate the need for involvement of someone with forensic skills in the audit throughout several application material paragraphs (e.g., A34, A97, A140, A146).

## **E – Impacts of Technology Used by Entities and Auditors**

### *Respondents’ Comments*

83. Respondents supported the introduction of application material in ED-240 which deals with impacts of technology used by entities and auditors. However, respondents provided the following feedback on how to further enhance technology-related considerations:
- (a) The guidance in ED-240 doesn’t sufficiently address new fraud risks introduced by the increasing use by entities of emerging technologies, including generative artificial intelligence, in their IT environment relevant to financial reporting systems and related controls. Those respondents believe that additional application material is needed in the standard to help auditors appropriately identify, assess and respond to these new risks. They also noted that not addressing this issue may prompt another revision of the standard in the near future.
  - (b) Some of the technology-related application material in ED-240 is abstract, lacks practical guidance and sometimes implies that the use of technology is necessary in cases where it may not be. A respondent also noted that technology-related application material is at risk of becoming outdated in the rapidly evolving technology landscape and proposes that technology-related matters should be moved to a targeted technology addendum to the standard which can be updated in a more- timely manner than updating the standard.

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<sup>14</sup> ISA 220, *Quality Management for an Audit of Financial Statements*

*Fraud TF Views and Recommendations*

84. The Fraud TF notes that the IAASB committed in the project proposal to enhance application material in ISA 240 to reflect and describe the use of technology to:

- Enable fraudulent activity (including cybercrime).
- Perform fraud-related procedures by auditors.

The Project Proposal also noted that the IAASB would “remain mindful” of maintaining a balance of not “dating” the standard by referring to technologies that may change and evolve, and consulting with a technology expert(s) as needed.

85. Therefore, the Fraud TF is not proposing further technology-related revisions to proposed ISA 240 (Revised), except for the proposed revisions to paragraph A9 described in **Agenda Item 10-A**. The Fraud TF proposes edits to paragraph A9 to respond to feedback that this paragraph wasn’t emphasizing enough how using automated tools and techniques to perform audit procedures may enhance the auditor’s exercise of professional skepticism. The edits are based on application material paragraph A64 in ISA 220 (Revised). The edits to this application material are consistent with [Guiding Action #5 of the IAASB’s Technology Position Statement](#) to “strike the right balance when referring to opportunities and risks associated with technology.”

86. The Fraud TF reviewed all the references (paragraphs A5, A9, A28, A35, A36, A51, A60, A64, A85 (Moved to A98A), A97, A114, A116, A117, A133, A135, A139, A143, Appendix 2 and Appendix 3) to either technology used by entities and auditors (i.e., automated tools and techniques) and believes the IAASB has adequately achieved its objectives as described in the project proposal. References to technology were deliberately kept broad to mitigate the risk that they could become dated (i.e., specific technologies were not referred to in ED-240). Furthermore, the Fraud TF believes the standard is sufficiently clear that examples in the application material are in fact examples and not requirements.

**F – Public Sector**

<i>Relevant Paragraphs in <b>Agenda Item 10-B</b>:</i>	<b><i>Paras. A1, A3, A11, A66A, A81A, A106, A112A, A157A, A161, A192, Appendices 1 and 2</i></b>
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*Respondents’ Comments*

87. Respondents who commented in relation to Public Sector Considerations generally believed that the standard can be applied to public sector entities and acknowledged the paragraphs included in ED-240 that are specific to public sector entities. However, given the unique characteristics of the public sector, respondents believed the standard could be enhanced by including additional application material and examples specific to public sector.

*Fraud TF Views and Recommendations*

88. The Fraud TF acknowledged respondents’ comments and enhanced the guidance included for the public sector (e.g., see paragraphs A3, A11, A66A, A81A, A112A and A157A and Appendix 1 and 2 of proposed ISA 240 (Revised)). The revisions proposed to paragraphs A3, A11, A66A, A81A, A112A, A157A and Appendix 1 and 2 were already included in the draft of proposed ISA 240

(Revised) as presented to the Board in September 2024. Additional clarifications to paragraphs A66A, A81A and A157A and Appendix 1 and 2 are proposed in **Agenda Item 10-B**.

## **G – Conforming and Consequential Amendments**

### *Respondents' Comments*

#### Monitoring Group Respondents

89. One Monitoring Group respondent provided the following suggestions:
- (a) Deleting the lead-in sentence of paragraph A24 of ISA 200 (as described in paragraph 13(c) above).
  - (b) Adding the example in paragraph A43 of proposed ISA 240 (Revised) in ISA 200 as well.
  - (c) Adding the additional responsibilities related to fraud in ISA 220 (Revised) so that the engagement partner's responsibilities are clearly set out in that standard.
90. The other Monitoring Group respondent expressed concerns how paragraph 50(b) which deals with the completeness of journal entries can be operationalized in a complex group audit situation and suggested adding application material on how to apply this requirement in ISA 600 (Revised). Also see paragraph 72 above in the journal entries section.

#### *Other Respondents*

91. Other respondents provided the following feedback on the conforming and consequential amendments as follows:
- (a) Respondents asked the IAASB to improve the linkage between proposed ISA 240 (Revised) and ISA 600 (Revised) to clarify how the fraud or suspected fraud requirements can be operationalized in a group audit. In particular, respondents highlighted the communication requirements between the component auditor and the group auditor (paragraph 45 of ISA 600 (Revised)).
  - (b) Respondents noted the importance of involving component auditors in terms of the exercise of professional skepticism, given that component auditors might have a better knowledge of the component environment. Respondents noted that ISA(UK) 240 includes several references to group audits and recommended that the IAASB also introduces additional application material in proposed ISA 240 (Revised) relating to group audits.

#### *Fraud TF Views and Recommendations*

92. The Fraud TF discussed respondents' comments and noted that some of the proposed changes have been dealt with as part of responses to other questions to ED-240. Please see:
- (a) Paragraph 26–27 above for the Fraud TF's view on paragraph A24 of ISA 200;
  - (b) Paragraph 124 below on the Fraud TF's views on the potential impact of the fraud and suspected fraud requirements on ISA 600 (Revised).
93. With respect to the other comments, the Fraud TF responded as follows:
- (a) ISA 200 – The Fraud TF decided not to add the examples in paragraph A43 of proposed ISA 240 (Revised) in ISA 200 as it would be duplicative. Also, the application material adds a fraud lens to a requirement in ISA 220 (Revised).

- (b) ISA 220 (Revised) – The Fraud TF acknowledges that the engagement team discussion requirement in proposed ISA 240 (Revised) has been enhanced by explaining in more detail what the engagement team discussion should include. In doing so, it was never the Fraud TF's intention to expand on the engagement partner's responsibilities. Thus, the Fraud TF does not believe that ISA 220 (Revised) must be updated to include additional responsibilities.
  - (c) ISA 600 (Revised) – The Fraud TF will consider whether further conforming amendments to ISA 600 (Revised) are needed given the requirement in paragraph 50(b) of proposed ISA 240 (Revised) and the professional skepticism requirements in proposed ISA 240 (Revised) after the December 2024 Board meeting.
94. **Agenda Item 10-D** sets out the updates made to the conforming and consequential amendments to other ISAs as a result of the revision of proposed ISA 240 (Revised). Significant changes made by the Fraud TF from the version that was in ED-240 are explained in **Agenda Item 10-A**.

**Matters for IAASB Consideration:**

7. The Board is asked for its views on the Fraud TF recommendations as set out above.

## Section VII – Translations

***Highlights from Respondents' Feedback***

Respondents did not identify significant challenges in relation to the translation of ED-240.

### Overview of Responses

95. Questions 11 sought comments from respondents on potential translation issues with ED-240.
96. This section summarizes the substantive themes from the written responses for question 11 (see the separate NVivo report in **Agenda Item 10-E.7 and 10-F.7** for further details), along with the Fraud TF views and recommendations in relation to those themes.

### Respondents' Comments

*Monitoring Group Respondents*

97. The Monitoring Group respondents did not respond to this question.

*Other Respondents*

98. Respondents generally did not identify significant challenges in relation to translating the proposed standard.

### Fraud TF Views and Recommendations

99. No changes are being proposed to ED-240 based on the absence of any significant translation-related concerns.

**Matters for IAASB Consideration:**

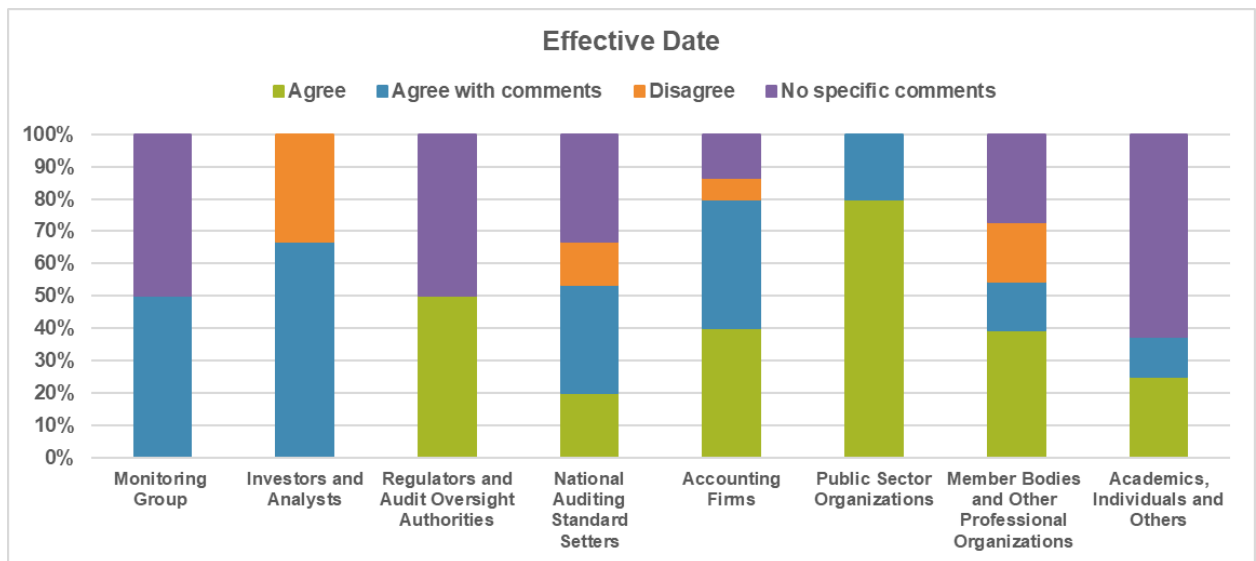
8. The Board is asked for its views on the Fraud TF recommendations as set out above.

## Section VIII – Effective Date

### **Highlights from Respondents’ Feedback**

General support for the proposed effective date.

100. Question 12 of ED-240 sought general comments from respondents on the proposed effective date (financial reporting periods beginning approximately 18 months after IAASB’s approval of the final standard).
101. The chart below shows an analysis of the responses to question 12 per stakeholder group (see the separate NVivo reports in **Agenda Items 10-E.8 and 10-F.8** for further details).



### **Respondents’ Comments**

#### *Monitoring Group Respondents*

102. One Monitoring Group respondent provided comments related to the effective date and suggested conducting a post-implementation review on any challenges or unintended consequences as a result of effective dates occurring at the same time for several related projects.

#### *Other Respondents*

103. Respondents generally supported the proposed effective date and noted that the proposed timeframe of approximately 18 months after the approval of the final pronouncement is reasonable for their jurisdictions to implement the standard, including where translations are necessary, as well as for development of implementation guidance, update of methodologies, tools, and training materials.
104. Respondents who agreed with the proposed effective date and provided comments noted that any implementation period that is less than 18 months may not allow sufficient time for national adoption processes to occur, and consequently, may impact the adoption of the revised standard with a consistent effective date globally.
105. Respondents who did not support the proposed effective date noted their preference for a 24-months period between the date of approval of the standard and the effective date. They noted that 24 months

are needed given the significant time needed for translating the final pronouncement in their jurisdictions, for national adoption processes to occur, and for firms, especially for small and medium sized practitioners, to update methodologies and related tools.

#### Fraud TF Views and Recommendations

<i>Relevant Paragraphs in <b>Agenda Item 10-B</b>:</i>	<b>Para. 16</b>
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106. Taking into account respondents' comments, the proposed effective date by the Going Concern Task Force and the Listed Entity and PIE – Track 2 Task Force and the targeted approval date of proposed ISA 240 (Revised) (i.e., IAASB approval in March 2025 and certification by the PIOB in early July 2025), the Fraud TF believes it is appropriate to propose the following as the effective date: audits of financial statements for periods beginning on or after December 15, 2026. This effective date aligns with the proposed effective dates of the IAASB's Going Concern project and the Listed Entity and PIE – Track 2 project.
107. The Fraud TF believes this timeframe is sufficient to allow jurisdictions for translation of the standard, for national adoption processes to occur, and for practitioners to update methodologies, tools, and training materials.

#### **Matters for IAASB Consideration:**

9. The Board is asked for its views on the Fraud TF recommendations for the effective date.

## Part B: Key Changes to Proposed ISA 240 (Revised) Since September 2024

108. Part B describes the Fraud TF's rationale for significant revisions made to the draft of proposed ISA 240 (Revised) based on feedback provided by the Board members at the September 2024 IAASB meeting and in offline comments, and stakeholder feedback received since the September 2024 IAASB meeting, for the following topics:
- (a) Risk identification and assessment (see section B–I);
  - (b) Fraud or suspected fraud (See section B–II); and
  - (c) Third party fraud (See section B–III).
109. **Agenda Item 10-A** outlines other significant deliberations and resulting changes to proposed ISA 240 (Revised) since the September 2024 Board meeting.

### I – Risk Identification and Assessment

Relevant Paragraphs in <b>Agenda Item 10-B</b> :	<b>Paras. 34(b), 42, 48, A69A–A70 and A123A</b>
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#### *Whistleblower Program*

110. In its September 2024 meeting, the Board broadly supported the inclusion of a requirement for the auditor to obtain an understanding of the whistleblower program when such program exists at the entity. However, Board members questioned whether the term 'whistleblower program' was the appropriate term. Board members noted that the term is often used for listed entities and public interest entities but may not be used by other entities, including smaller and less complex entities. Board members expressed concerns that using the term 'whistleblower program' may have the unintended consequence of being overlooked by the auditor if the entity refers to the program differently.
111. To address these concerns, the Fraud TF is proposing a different term: fraud reporting program. The Fraud TF is of the view that this term sounds more intuitive and scalable than the term whistleblower program. The Fraud TF also proposed new application material to clarify what a fraud reporting program is, including how it could be different based on the nature and complexity of the entity, including its exposure to fraud risks (refer to paragraphs A69A–A69B in **Agenda Item 10-B**).

#### *ROMMs due to Fraud Related to Management Override of Controls*

112. At the September 2024 meeting, the Board asked the Fraud TF to continue its efforts to clarify the requirement on the risks related to management override of controls. In particular, the Board asked to clarify whether the significant ROMMs due to fraud related to management override of controls should be assessed at the assertion level, financial statement level, or both.
113. The Fraud TF further discussed how ROMMs related to management override of control should be treated to ensure consistency with the requirements in ISA 315 (Revised 2019). ISA 315 (Revised 2019) requires the auditor to determine whether the identified ROMMs exist at the financial statement level or the assertion level for classes of transactions, account balances and disclosures. For identified risks at the assertion level, paragraph 32 of ISA 315 (Revised 2019) requires the auditor to determine whether any of the assessed ROMMs are significant risks, given that the significance of the risks is closely linked to the spectrum of inherent risks. The Fraud TF notes that this requirement

does not exist for identified ROMM at the financial statement level as there is no spectrum of risk concept at this level. Furthermore, the Fraud TF notes that the definition of significant risk includes any ROMM (i) for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or (ii) that is to be treated as a significant risk in accordance with the requirements of other ISAs (see ISA 315 (Revised 2019), paragraph 12(l)).

114. Given the requirements included in ISA 315 (Revised 2019) and the requirement to treat any ROMM due to fraud at the assertion level as a significant risk, the Fraud TF is of the view that ROMMs due to fraud related to management override of controls are treated as an assertion level risk.
115. Upon further discussion, the Fraud TF concluded that the revisions proposed in September did not improve clarity on whether the ROMM due to fraud related to management override of control exists at the financial statement level, the assertion level or both. In addition, the proposed bullet (b) of paragraph 40 was deemed duplicative of the requirements in ISA 315 (Revised 2019).
116. Therefore, the Fraud TF proposes to move the requirement to assess the ROMMs due to fraud from paragraph 40(c) to 40(a) as it was presented in ED-240, remove paragraph 40(b) to remove the duplication with ISA 315 (Revised 2019) and focus paragraph 40(c) on the treatment of the assessed ROMM due to fraud at the assertion level as significant risks. However, the Fraud TF proposed to retain the “at the assertion level” in paragraph 40(c) as it clarifies that significant risks are at the assertion level.
117. In addition, the Fraud TF proposed new application material to the audit procedures responsive to ROMMs due to fraud related to management override of control to further explains that the auditor may, in addition to the presumed ROMMs due to fraud related to management override of controls, determine that those risks have a pervasive effect on the financial statements. In such cases, the auditor identifies these risks at the financial statement level in accordance with paragraph 40(a) and determine overall responses to address such assessed ROMMs due to fraud at the financial statement level (refer to paragraph A123A in **Agenda Item 10-B**).

**Matter for IAASB Consideration:**

10. The Board is asked for its views on the Fraud TF's revisions to proposed ISA 240 (Revised), as presented in **Agenda Item 10-B**, with respect to the matters discussed above

**II – Fraud or Suspected Fraud**

*Relevant Paragraphs in **Agenda Item 10-B**:*

***Paras. 55–58, A7–A10, A144–A157C***

118. The Board supported the Fraud TF's proposed revisions to the fraud or suspected fraud requirements (paragraphs 55–58 and related application material of [Agenda Item 8-A](#) presented at the September 2024 IAASB meeting). The revisions included the introduction of a threshold to add scalability and proportionality, allowing auditors to exclude matters deemed clearly inconsequential after performing procedures outlined in paragraph 55 of **Agenda Item 8-A** of the September 2024 meeting.
119. The Board suggested adding further scalability and proportionality to the fraud or suspected fraud requirements by introducing additional application material. Specifically, the Board asked the Fraud TF to introduce application material that reminds the auditor to leverage their understanding of the fraud reporting program (i.e., obtained as part of complying with the requirement in paragraph 34(a)(ii) of **Agenda Item 10-B**) when obtaining an understanding of the fraud or suspected fraud as required



by paragraph 55 of **Agenda Item 10-B**. This could help the auditor determine which matters are clearly inconsequential, including allegations of fraud that the entity has dismissed as being without merit.

120. Board members also asked the Fraud TF to consider:

- (a) Introducing an explicit determination in paragraph 55 regarding whether fraud or suspected fraud is clearly inconsequential.
- (b) Clarifying in the application material that the engagement partner may use information obtained by other members of the engagement team, including component auditors, to fulfill the requirement in paragraph 56.
- (c) Adding application material on applying fraud or suspected fraud requirements in a group audit.
- (d) Defining the term "clearly inconsequential" and clarifying whether auditors need to document what was considered clearly inconsequential.

*The Fraud TF's Views and Recommendations*

- 121. The Fraud TF added paragraph A149A of **Agenda Item 10-B** to clarify that auditors may leverage their understanding of the entity's fraud reporting program when determining which fraud allegations are clearly inconsequential. Recognizing that larger or more complex entities may receive many tips or complaints alleging fraud (e.g., through a hotline), the Fraud TF notes that auditors may use their understanding of the entity's fraud reporting program to efficiently identify which matters are clearly consequential.
- 122. Regarding the recommendation in paragraph 120(a) above, the Fraud TF believes it is unnecessary to introduce an explicit requirement for the engagement team to determine which matters are clearly inconsequential. This determination is implied in the lead-in sentence of paragraph 56, as the engagement team would naturally make these assessments when obtaining an understanding as required in paragraph 55 of identified fraud or suspected fraud during the audit.
- 123. Regarding the recommendation in paragraph 120(b) above, the Fraud TF agrees that adding application material is useful. Paragraph A152A of **Agenda Item 10-B** was added, cross-referencing paragraph 9 of ISA 220 (Revised), to clarify that the engagement partner leverages information obtained by the engagement team to fulfill the requirement in paragraph 56.
- 124. Regarding the recommendation in paragraph 120(c) above, the Fraud TF believes that matters related to group audits, including application material clarifying how fraud or suspected fraud requirements apply in a group audit, are better addressed in ISA 600 (Revised) as a consequential amendment. The Fraud TF will assess and bring any relevant recommendations to the March 2025 IAASB meeting.
- 125. Regarding the recommendation in paragraph 120(d) above, the Fraud TF recommends not defining "clearly inconsequential" in the standard. The term is already used in ISA 250 (Revised) regarding NOCLAR, where the auditor is not required to communicate clearly inconsequential matters to TCWG. The Fraud TF has also not received significant feedback indicating that the term poses challenges in practice and believes it will not create issues in proposed ISA 240 (Revised), given that fraud represents NOCLAR as outlined in paragraph 13 of the proposed standard. Finally, regarding documentation requirements, the Fraud TF notes that paragraph 70(f) adequately describes the auditor's documentation requirements in this regard.

**Matter for IAASB Consideration:**

11. The Board is asked for its views on the Fraud TF's revisions to proposed ISA 240 (Revised), as presented in **Agenda Item 10-B**, with respect to the matters discussed above

**III – Third-Party Fraud**

*Relevant Paragraphs in **Agenda Item 10-B**:*

***Paras. 18, 29(a)(ii)c., 57(c), A6, A16, A21, A21A, A52, A80, A84, A106***

126. The Board supported the proposed revisions to application material in paragraphs A21 and A21A, presented at the September 2024 IAASB meeting, as it helps in describing broad categories of third parties that may commit third-party fraud and are therefore relevant to the audit. However, the Board asked the Fraud TF to consider whether further enhancements are needed to clarify the auditor's work effort concerning third-party fraud.
127. The Fraud TF reviewed all references to third-party fraud in the proposed standard to assess whether additional material was needed to clarify the required work effort.
128. The Fraud TF identified one area where additional application material could be beneficial—specifically, regarding the auditor's understanding of the entity's risk assessment process as outlined in paragraph 35(a). The Fraud TF believes that the auditor should focus on understanding how management manages its third-party fraud risks, including how management identifies, assesses, and responds to these risks. This understanding will aid the auditor in their own assessment and identification of third-party fraud risks. To support this, the Fraud TF proposes adding an example to paragraph A84 of **Agenda Item 10-B**. This example illustrates the identification of fraud risks associated with the entity's vendor database and how management prevents and detects re-occurrences of vendor-related fraud.
129. Beyond this example, the Fraud TF is not proposing additional application material. The Fraud TF is mindful of respondents' concerns about potentially expanding the auditor's responsibilities regarding third-party fraud, which, as clarified in the Feedback and Issues Paper presented at the September meeting, was never the Board's intent.

**Matter for IAASB Consideration:**

12. The Board is asked for its views on the Fraud TF's revisions to proposed ISA 240 (Revised), as presented in **Agenda Item 10-B**, with respect to the matters discussed above.

**Part C: Conforming and Consequential Amendments**

130. **Agenda Item 10-D** sets out the updates made to the conforming and consequential amendments to other ISAs as a result of the revision of proposed ISA 240 (Revised). Significant changes made by the Fraud TF from the version that was included in ED-240 are explained in **Agenda Item 10-A**.

**Matter for IAASB Consideration:**

13. The Board is asked for its views on the conforming and consequential amendments arising from proposed ISA 240 (Revised) as presented in **Agenda Item 10-D**.

## **Part D: Way Forward**

131. Following the December 2024 IAASB meeting, and based on the Board's feedback, the Fraud TF intends to continue to discuss the issues included in this Agenda Item as well as to align and refine the drafting for proposed ISA 240 (Revised). Such matters will be subject to further deliberation by the IAASB at its March 2025 meeting.
132. In addition, the Fraud TF will continue to engage in coordination activities with IESBA, and with other IAASB Task Forces and Consultation Groups, as appropriate.
133. The IAASB's approval of the final pronouncement is targeted for March 2025

## **Fraud TF Members and Supporting IAASB Staff and Activities**

### **Fraud TF Members**

1. The Fraud TF consists of the following members:

- Julie Corden (Chair)
- Sami Alshorafa
- Josephine Jackson
- Greg Schollum
- Wendy Stevens

### **IAASB Staff**

2. IAASB Staff supporting the project are:

- Jasper van den Hout, Director
- Angelo Giardina, Principal
- Nathalie Baumgaertener Dutang, Senior Manager
- Ida Diu, Senior Manager
- Isabelle Raiche, Senior Manager

3. Information about the project can be found [here](#).

### **Fraud TF Activities**

4. Since September 2024, the Fraud TF held one physical meeting and one virtual meeting.

### **Outreach**

5. The IAASB Staff and the Fraud TF Chair attended the International Federation of Accountants' Small and Medium Practices Advisory Group meeting on Oct 21, 2024.
6. Between posting of the papers and the December 2024 Board meeting, meetings are planned with the International Forum of Independent Audit Regulators' Standards and Coordination Working Group and with International Organization of Securities Commission's Committee 1.

## Appendix 2

### Summary of NVivo Reports and the Related Section in Part A of this Agenda Item Where the Summary is Presented

ED-240 Question	Part B of this Agenda Item	Agenda Item:	
		NVivo Word Analysis	NVivo Excel Analysis
Question 2	<b>Section I</b> – Professional Skepticism	Agenda Item 10-D.1	Agenda Item 10-E.1
Question 6	<b>Section II</b> – Transparency Requirements about Fraud Extended to Entities Other Than Listed Entities	Agenda Item 10-D.2	Agenda Item 10-E.2
Question 7	<b>Section III</b> – Lack of Separate Stand-Back Requirement	Agenda Item 10-D.3	Agenda Item 10-E.3
Question 8	<b>Section IV</b> – Scalability	Agenda Item 10-D.4	Agenda Item 10-E.4
Question 9	<b>Section V</b> – Linkages to Other ISAs	Agenda Item 10-D.5	Agenda Item 10-E.5
Question 10	<b>Section VI</b> – Other Matters	Agenda Item 10-D.6	Agenda Item 10-E.6
Question 11	<b>Section VII</b> – Translations	Agenda Item 10-D.7	Agenda Item 10-E.7
Question 12	<b>Section VIII</b> – Effective Date	Agenda Item 10-D.8	Agenda Item 10-E.8

## Appendix 3

### Approach to the Board Discussion

Section in Agenda Item 10-B	Paragraphs in Agenda Item 10-B	Related Question or Matter in Part A or B
Scope of this ISA Responsibilities of the Auditor, Management and Those Charged with Governance Key Concepts in this ISA Relationship with Other ISAs	1–15, A1–A17	
Effective Date	16	Question 12 (See Part A - Section VII)
Objectives Definitions	17–18, A18–A23A	
Professional Skepticism	19–21B, A24–A28A	Question 2 (See Part A – Section I)
Engagement resources Engagement performance Ongoing Nature of Communications with Management and Those Charged with Governance	22–25, A33–A43	
Risk Assessment Procedures and Related Activities	26–31, A44–A54	Third Party Fraud (See Part B – Section III)
Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control	33–39, A59–A103	Risk Identification and Assessment (See Part B – Section I)
Evaluation of Fraud Risk Factors Identifying and Assessing the Risks of Material Misstatement due to Fraud	39A–42, A103A–A113	
Responses to the Assessed Risks of Material Misstatement Due to Fraud	43–54, A114–A143	Question 10 (See Part A – Section VI)

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Section in Agenda Item 10-B	Paragraphs in Agenda Item 10-B	Related Question or Matter in Part A or B
Fraud or Suspected Fraud	55–58, A144–A157C	Fraud or Suspected Fraud (See Part B – Section II)
Auditor Unable to Continue the Audit Engagement Auditor’s Report Written Representations	60–65, A158–A181	Question 6 (See Part A – Section II)
Communications with Management and Those Charged with Governance Reporting to an Appropriate Authority Outside the Entity Documentation	66–70, A182–A193 Appendix 1–5	
<b>Questions from Part A that will be addressed after walkthrough of the standard</b>		
Lack of a separate Stand-Back Requirement Scalability Linkages to Other ISAs Translation	Question 7 (See Part A – Section III) Question 8 (See Part A – Section IV) Question 9 (See Part A – Section V) Question 11 (See Part A – Section VII)	