

Meeting: IAASB

Meeting Location: New York, United States of America

Meeting Date: March 18–21, 2025

Agenda Item 9

Fraud – Due Process – Proposed ISA 240 (Revised)¹

Objective of Agenda Item

1. To advise the IAASB of the status of due process for proposed ISA 240 (Revised).

Background

2. The IAASB Program and Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a proposed Standard, or changes to a Standard, are approved for issue.
3. The following outlines the Program and Technical Director's conclusion and basis thereof with respect to actions up to the March 2025 IAASB meeting for proposed ISA 240 (Revised). Before approval of proposed ISA 240 (Revised), the Program and Technical Director will advise on whether due process has been followed during the course of the March 2025 meeting.

Due Process Up to the Date of the March 2025 IAASB Meeting

4. The Program and Technical Director confirms to the IAASB that, up to the March 2025 IAASB meeting, proposed ISA 240 (Revised) has been developed in accordance with the IAASB's due process.
5. In summary, for proposed ISA 240 (Revised), the IAASB:

Project Commencement and Development of Exposure Draft

- Undertook information-gathering and research activities on fraud in an audit of financial statements, which among other, included:
 - The development of the Discussion Paper (DP), [*Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit*](#), that was published in September 2020 for public consultation.
 - Undertaking a series of roundtables in September and October 2020 to gather stakeholders' perspectives on fraud and going concern in an audit of financial statements.²

¹ Proposed International Standard on Auditing (ISA) 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

² On November 2020, the IAASB published a [Summary of Key Take-aways](#), which summarizes what the IAASB heard from the roundtables with experts and leaders exploring issues and challenges related to fraud and going concern.

- Targeted outreach with regulators and audit oversight authorities, jurisdictional and national auditing standard setters, the Forum of Firms, the International Federation of Accountant's Small and Medium Practices Advisory Group (SMPAG) and others.
- Approved a [project proposal](#) in December 2021 to undertake the revision of extant ISA 240 and conforming and consequential amendments to other IAASB standards.
- Consulted with the IAASB Consultative Advisory Group (CAG) on significant issues during the development of the exposure draft for proposed ISA 240 (Revised).

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Fraud Task Force has reported back to the IAASB CAG the results of the IAASB's deliberations.

- Undertook targeted outreach with users of financial statements when considering how to enhance the transparency of the auditor's report for fraud-related matters. In addition, project-specific outreach was undertaken with the same stakeholder groups that were initially engaged pre-project proposal, to obtain their further feedback on significant issues during the development of the exposure draft.
- Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration.

As noted above, the IAASB sought preliminary views from stakeholders through the DP, roundtable series on fraud and going concern and targeted outreach prior to the development of the project proposal. Also, project-specific outreach on fraud was undertaken as part of the IAASB's general outreach program. No additional public forum or similar consultation, or further field testing were deemed necessary.

Exposure Draft and Finalization of Standard

- Approved an exposure draft³ in December 2023, which was issued in February 2024 for a 120-day comment period. The exposure draft was accompanied by an explanatory memorandum highlighting, among other matters, the significant proposals of the IAASB, how those serve to achieve the project objectives that support the public interest and seeking responses to 12 questions relating to proposed ISA 240 (Revised).
- Considered the adequacy of consultation with stakeholders, recognizing also the targeted outreach that had been undertaken with investors or other users of financial statements during the development of the exposure draft.
- Continued with outreach as part of the IAASB's general outreach program throughout the process of updating proposed ISA 240 (Revised) post exposure.
- Undertook additional targeted outreach with the SMPAG, The International Forum of Independent Audit Regulators' Standards Coordination Working Group (SCWG) and The International Organization of Securities Commission's Committee on Issuer Accounting, Audit and Disclosure (Committee 1).

³ 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.](#)

- Coordinated with the International Ethics Standard Board for Accountants (IESBA) in respect of matters that represent connection points with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code).
- Considered analyses of the significant comments and issues raised by respondents on ED-240, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
- Having familiarized themselves with the issues raised in the comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters and other feedback received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Fraud Task Force, that they considered should be discussed; and
 - Decided on proposed amendments to proposed ISA 240 (Revised) and provided direction to the Fraud Task Force on additional matters to be considered in further amendments.