

Exposure Draft
February 2024
Comments due: June 5, 2024

International Standard on Auditing
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

Questions for Respondents

Responsibilities of the Auditor

Question 1. Does ED-240 clearly set out the auditor's responsibilities relating to fraud in an audit of financial statements, including those relating to non-material fraud and third-party fraud?

Answer 1. We believe that ED 240 clearly establishes the auditor's responsibilities related to fraud in an audit of financial statements, including those related to non-material fraud and third-party fraud.

Professional Skepticism

Question 2. Does ED-240 reinforce the exercise of professional skepticism about matters relating to fraud in an audit of financial statements?

Answer 2. Yes, however we propose the following changes in the wording: We would reverse the order of paragraphs 20 and 21.

20. If conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further. (Ref: Para. A26–A28)

21. The auditor shall remain alert throughout the audit for information that is indicative of fraud or suspected fraud. (Ref: Para. A29–A32)

Fundament: It seems to us to be a more correct methodological order. Paragraph 21 refers to a general attitudinal issue, while paragraph 20 refers to a specific circumstance.

Risk Identification and Assessment

Question 3. Does ED-240 appropriately build on the foundational requirements in ISA 315 (Revised 2019) and other ISAs to support a more robust risk identification and assessment as it relates to fraud in an audit of financial statements?

Answer 3: We consider that ED 240 is adequately based on the requirements of ISA 315, maintaining a balance with its provisions and also with other ISAs, aimed at carrying out the risk identification and evaluation process in a solid manner, in an audit of financial statements.

Fraud or Suspected Fraud

Question 4: Does ED-240 establish robust work effort requirements and application material to address circumstances when instances of fraud or suspected fraud are identified in the audit?

Answer 4: We consider that the requirements established when cases of fraud or suspected fraud are identified in the audit are appropriate.

The application material in particular has tripled with respect to the current ISA 240, being able to find important details for the development of the audit

Transparency on Fraud-Related Responsibilities and Procedures in the Auditor's Report

Question 5. Does ED-240 appropriately enhance transparency about matters related to fraud in the auditor's report?

¿El ED-240 mejora adecuadamente la transparencia sobre cuestiones relacionadas con el fraude en el informe del auditor?

Answer 5: We believe that ED 240 improves transparency on fraud-related issues in the auditor's report

Question 6. In your view, should transparency in the auditor's report about matters related to fraud introduced in ED-240 be applicable to audits of financial statements of entities other than listed entities, such as PIEs?

Answer 6: Yes, transparency in the auditor's report on issues related to fraud should also be applied to Public Interest Entities (PIEs).

The consultation refers to PIEs as an example, so it could be interpreted that the requirement also refers to all companies. Although in the consultation carried out in September 2022 (Document 20220912-IAASB-Agenda_Item_6-Fraud_Issues_Paper-final.pdf) 8 respondents agreed that it should be applied to all entities, we share the final result with application to the PIE other than the that are listed on the stock exchange and not to all entities.

Considering a Separate Stand-back Requirement in ED-240

Question 7. Do you agree with the IAASB's decision not to include a separate stand-back requirement in ED-240 (i.e., to evaluate all relevant audit evidence obtained, whether corroborative or contradictory, and whether sufficient appropriate audit evidence has been obtained in responding to the assessed risks of material misstatement due to fraud)?

Answer 7: We agree not to include a requirement of this nature in ED-240, since - as mentioned in paragraph 108 of the Explanatory Memorandum - it is already covered in other auditing standards and would be redundant. We understand that the treatment given to the subject by the other standards and section 21 of ED 240 sufficiently contemplates an issue as sensitive as the accountant's responsibility in relation to fraud in an audit of financial statements.

Scalability

Question 8: Do you believe that the IAASB has appropriately integrated scalability considerations in ED-240 (i.e., 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)?

Answer 8: Although the standard speaks of the importance of the concept "scalability", it is not clear and needs further clarification in the aspects of scalability. There is no clarity and clear examples.

Linkages to Other ISAs

Question 9: Does ED-240 have appropriate linkages to other ISAs (e.g., ISA 200, ISA 220 (Revised), ISA 315 (Revised 2019), ISA 330, ISA 500, ISA 520,30 ISA 540 (Revised) and ISA 701) to promote the application of the ISAs in an integrated manner?

Answer 9: We consider that ED-240 has appropriate links to other ISAs as cited in the question, (e.g. ISA 200, ISA 220 (Revised), ISA 315 (Revised 2019), ISA 330, ISA 500, ISA 520, 30 ISA 540 (Revised) and ISA 701) to promote the application of ISAs in an integrated manner

Other Matters

Question 10. Are there any other matters you would like to raise in relation to ED-240? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

Answer 10: We have no other matter to discuss regarding ED 240.