

RESPONSE TEMPLATE FOR THE EXPOSURE DRAFT OF PROPOSED ISA 240 (REVISED)

Guide for Respondents

Comments are requested by **June 5, 2024**.

This template is for providing comments on the Exposure Draft (ED) of *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 (ED-240)*, in response to the questions set out in the Explanatory Memorandum (EM) to the ED. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of the ED that your response relates to, for example, by reference to sections, headings or specific paragraphs in the ED.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the ED [web page](#) to upload the completed template.

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	Moore Global
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Tony Caldwell – Global Director of Professional Standards Korena Xie – Global Head of Assurance Methodologies
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Tony Caldwell
E-mail address(es) of contact(s)	Tony.Caldwell@Moore-Global.com
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	Global
	If "Other," please clarify.
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Accounting Firm
	If "Other," please specify.
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Moore Global is a leading mid-tier network with over 37,000 people in 227 independent firms across 114 countries.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB's preference is that you incorporate all your views in your comments to the questions (also, question no. 10 in Part B allows for raising any other matters in relation to the ED).

Information, if any, not already included in responding to the questions in Part B:

PART B: Responses to Questions for Respondents in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Responsibilities of the Auditor

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?

(See EM, Section 1-C, paragraphs 13–18 and Section 1-J, paragraphs 91–92)

(See ED, paragraphs 1–11 and 14)

Overall response: Disagree, with comments below

Detailed comments (if any):

Non-material fraud

We believe the additional guidance given in Para A11 (a) for Para. 8 should be removed. Our concern is that the interpretation of this phrasing widens the scope beyond what would be considered reasonable for the auditor to consider "an otherwise insignificant fraud perpetrated by senior management is ordinarily considered qualitatively material irrespective of the amount involved".

Para A11 (b) alone sufficiently demonstrates and contextualises the concept of non-quantitative, qualitatively material instances of fraud as it relates to a material misstatement of the financial statement due to fraud in an approachable way.

At a minimum, further clarity regarding qualitatively material fraud committed by senior management concerning the expected work effort, including practical, real-life examples of when a quantitatively immaterial fraud may be considered qualitatively material, would be necessary to avoid scope creep or misinterpretations.

Auditors Responsibility

Like in extant ISA 240, we believe that Management's Responsibility in paragraph 3 should come before the Auditor's Responsibility in paragraph 2, as the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the entity. The current structure could be interpreted as auditors having a greater responsibility than management & TCWG.

Professional Skepticism

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

(See EM, Section 1-D, paragraphs 19–28)

(See ED, paragraphs 12–13 and 19–21)

Overall response: Agree (with no further comments)

Detailed comments (if any):

Risk Identification and Assessment

3. Does ED-240 appropriately build on the foundational requirements in ISA 315 (Revised 2019)¹ and other ISAs to support a more robust risk identification and assessment as it relates to fraud in an audit of financial statements?

(See EM, Section 1-F, paragraphs 36–46)

(See ED, paragraphs 26–42)

Overall response: Agree (with no further comments)

Detailed comments (if any):

Fraud or Suspected Fraud

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?

(See EM, Section 1-G, paragraphs 47–57 and Section 1-E, paragraph 35)

(See ED, paragraphs 55–59 and 66–69)

Overall response: Agree, with comments below

Detailed comments (if any):

We do agree that the ED does establish the work efforts required and the application materials are well received.

However, we believe that Paragraph 55 would be more useful, and scalable if it were to include a step at an early stage of the process to obtain an understanding of the matter, a note on determining whether the fraud or suspected fraud is quantitatively or qualitatively material before continuing, to limit the work that needs to be performed on non-material fraud.

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

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

(See EM, Section 1-H, paragraphs 58–78)

(See ED, paragraphs 61–64)

¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Overall response: Agree (with no further comments)

Detailed comments (if any):

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?

(See EM, Section 1-H, paragraphs 76–77)

(See ED, paragraphs 61–64)

Overall response: Agree (with no further comments)

Detailed comments (if any):

Considering a Separate Stand-back Requirement in ED-240

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)?

(See EM, Section 1-J, paragraphs 107–109)

Overall response: Disagree, with comments below

Detailed comments (if any):

The proliferation of the stand-back requirement throughout all the ISAs is appropriate and the IAASB should look for opportunities to include as they continue to revise standards, such as was done for ISA 315 (Revised) and ISA 220 (Revised).

Although stand-back requirements exist in other standards, if auditors do not consider all standards holistically, which is not an uncommon practice when referring to the specific standards one is using, the stand-back process may be applied in an inconsistent and limited fashion.

We acknowledge that while paragraph 21 of the standards requires auditors to remain alert throughout the audit engagement—implicitly suggesting a stand-back consideration—we believe it's important, and useful, to explicitly require auditors to stand back and re-evaluate their findings.

Given how crucial the stand-back concept is in integrating all observations and findings before reaching a conclusion on fraud (and other key audit matters), and the 'cost' to include this in ISA 240 (Revised) is minimal, we believe a separate stand-back requirement should be included in the final standard.

Scalability

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)?

(See EM, Section 1-J, paragraph 113)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

Linkages to Other ISAs

9. Does ED-240 have appropriate linkages to other ISAs (e.g., ISA 200,² ISA 220 (Revised),³ ISA 315 (Revised 2019), ISA 330,⁴ ISA 500,⁵ ISA 520,⁶ ISA 540 (Revised)⁷ and ISA 701⁸) to promote the application of the ISAs in an integrated manner?

(See EM, Section 1-J, paragraphs 81–84)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

Other Matters

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.

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any): No other matters

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

³ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

⁴ ISA 330, *The Auditor's Responses to Assessed Risks*

⁵ ISA 500, *Audit Evidence*

⁶ ISA 520, *Analytical Procedures*

⁷ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

Translations

11. Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-240.

Overall response: [No response](#)

Detailed comments (if any): No other matters

Effective Date

12. Given the need for national due process and translation, as applicable, and the need to coordinate effective dates with the Going Concern project and the Listed Entity and PIE – Track 2 project, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Would this provide a sufficient period to support effective implementation of the ISA?

(See EM, Section 1-J, paragraphs 115–116)

(See ED, paragraph 16)

Overall response: [See comments on effective date below](#)

Detailed comments (if any):

We agree with the IAASB that 18 months after approval of the final standard is an appropriate effective date and would provide a sufficient period to support the effective implementation of this revised ISA, but it should be aligned to the Going Concern project.