



May 6, 2024

International Auditing and Assurance Standards Board
Via web posting: www.iaasb.org

Dear Sir/Madam:

Re: Proposed International Standard on Auditing 240 (Revised) – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

Overall, we support the proposed Standard as outlined in the exposure draft International Standard on Auditing 240 (Revised) – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements but have some specific concerns with the changes proposed. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "T. Clemett".

Tara Clemett, CPA, CA, CISA
Provincial Auditor

MH/mr
Attachment

	Question	Ref to Requirements in ED-240	Response
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?	Paragraphs 1-11 and 14	Yes, ED-240 clearly sets out the auditor's responsibilities relating to fraud including those relating to non-material fraud and third-party fraud.
2	Does ED-240 reinforce the exercise of professional skepticism about matters relating to fraud in an audit of financial statements?	Paragraphs 12-13 and 19-21	Yes, ED-240 reinforces the exercise of professional skepticism about matters relating to fraud in an audit of financial statements.
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?	Paragraphs 26-42	Yes, ED 240 appropriately builds on ISA 315 (Revised 2019) and other ISAs.
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?	Paragraphs 55-59 and 66-69	Yes, ED-240 establishes robust work effort requirements and application material to address when instances of fraud or suspected fraud are identified in the audit.
5	Does ED-240 appropriately enhance transparency about matters related to fraud in the auditor's report?	Paragraphs 61-64	<p>We have two concerns with the proposed amendments to the auditor's reports resulting from changes to ISA 240:</p> <ul style="list-style-type: none"> - The proposed amendment in ISA 240 paragraph 64 and paragraph A177 requires the auditor to include a specific disclosure where they determine there are no key audit matters related to fraud. This is inconsistent with other key audit matters where the auditor does not have to specifically comment on their decision to exclude matters. Also, including this statement without any context may be misinterpreted by readers of the auditor's report and could be seen to imply that the auditor is responsible to detect fraud and did not find any fraud. - The consequential amendments to ISA 700 paragraph 40(a)(ii) requires the auditor, for all audits, to state that they communicate with those charged with governance "regarding...any: (ii) identified fraud or suspected fraud." Including this statement may be misinterpreted by readers of the auditor's report to imply that the auditor is responsible to detect and communicate <u>all</u> fraud or suspected fraud which is not the case as the auditor may not be aware of and is not responsible to detect all fraud. This should be clarified to be clear that this is fraud or suspected fraud that the auditor became aware of during the audit.

	Question	Ref to Requirements in ED-240	Response
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?	-	We have the same concerns as noted in the response to question 5 above.
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)?	-	Yes, the decision to not include a separate stand-back requirement in ED-240 is reasonable given the clear requirements to remain alert to conditions that may indicate possible fraud throughout the audit.
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)?	-	Yes, the IAASB has appropriately integrated scalability considerations in ED-240.
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?	-	Yes, the linkages to other ISAs are appropriate.
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.	-	See response to question 5 above. Also, we would suggest the guidance should be improved in certain areas as the examples provided do not relate to the public sector. <ul style="list-style-type: none"> - The examples under paragraphs A3, A111, A166, and in Appendix 1 – Incentives/Pressures are not normally as applicable in the public sector. - The example under paragraph A106 (which is specific to the public sector) only discusses misappropriation of assets and does not provide a common example for misstatements resulting from fraudulent financial reporting such as reporting expenses in the incorrect period in order to meet budget.

	Question	Ref to Requirements in ED-240	Response
			<ul style="list-style-type: none"> - The examples under paragraph A142 focus on income and revenues and exclude expenses which can be a more relevant area of concern in the public sector. We suggest the example should be change to say “income or expenses” and “revenue or expenses.”
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.	-	We have no comments on potential translation issues.
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?	Paragraph 16	Yes, this would provide a sufficient period to support effective implementation of the ISA.