



June 6, 2024

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Dear Mr. Botha:

RE: EXPOSURE DRAFT —PROPOSED INTERNATIONAL STANDARD ON AUDITING
240 (REVISED), THE AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD IN AN
AUDIT OF FINANCIAL STATEMENTS—FEBRUARY 2024

Thank you for providing us with the opportunity to comment.

Our Office supports the IAASB's initiative to clarify and strengthen the auditor's responsibilities related to fraud. However, we are concerned that the proposed changes to the auditor's report place a disproportionate emphasis on matters related to fraud, potentially causing users to believe that fraud is a central focus of the audit. We believe that any changes to the auditor's report must be carefully evaluated to ensure that the objective and scope of the audit is readily understood by the public.

Our responses to the matters on which you specifically requested comments are set out below.

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?

We agree that the auditor's responsibilities relating to fraud are clearly stated in ED-240.

Question 2

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

We have no concerns with these proposed changes.

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?

Yes, we agree that ED-240 appropriately leverages the requirements in ISA 315 and other relevant auditing standards.

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?

We agree with the proposed requirements.

Questions 5

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

No. The proposals in ED-240 place disproportionate emphasis on matters related to fraud in the auditor's report. ED-240 sets out the expectation that at least one matter related to fraud will be included in every Key Audit Matters section (with only rare exceptions - paragraphs A176-A178) and further highlights fraud by mandating its inclusion in the related title. These changes may lead the public to believe that fraud is the central focus of the audit and further, that the role of the auditor is to address all aspects of fraud. Rather than enhancing transparency, we believe that these proposals would further compound the prevailing expectations gap. In our experience, the existing ISA 701 requirements are sufficient to assist auditors in determining and presenting Key Audit Matters.

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?

No. See our response to Question 5.

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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)?

We agree that a separate stand-back requirement related to fraud is not necessary.

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)?

We agree.

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, ISA 540 (Revised) and ISA 701) to promote the application of the ISAs in an integrated manner?

The linkages to other ISAs are appropriate.

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.

No.

Question 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 concerns in this regard.

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Question 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?

We agree with the proposed timelines.

Kind regards,

A handwritten signature in black ink, appearing to read 'Spence', with a large, sweeping flourish extending to the right.

Shelley Spence
Auditor General of Ontario