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5 June 2024

Mr Tom Seidenstein,
Chair,
International Auditing and Assurance Standards Board,
529 Fifth Avenue, 6th Floor,
New York,
NY 10017,
USA

Dear Mr Seidenstein

Exposure Draft Proposed ISA 240 (Revised) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Crowe Global is delighted to present a comment letter on Exposure Draft Proposed ISA 240 (Revised) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. Crowe Global is a leading global network of audit and advisory firms, with members in over 140 countries.

We agree with the overall approach of the Exposure Draft. The revision of ISA 240 is much needed, as there are expectation issues about auditors' responsibilities in relation to fraud that require addressing. The overall approach to the revision improves the application of professional scepticism by the auditor and represents developments in expectations since the issue of the extant standard. It is important that the IAASB and its stakeholders take every opportunity to remind financial statement users understand that the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the entity. Our detailed comments are presented in the appendix to this letter.

We trust that our comments assist IAASB with the completion of the revision of this standard. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty".

David Chitty
International Accounting and Audit Director

Appendix – Response to Questions for Respondents Exposure Draft Proposed ISA 240 (Revised) *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

Question	Response
<p><i>Responsibilities of the Auditor</i></p> <p>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?</p>	<p>ED-240 does 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. It is important for the successful application of the standard that financial statement users understand that the <i>primary responsibility</i> for the prevention and detection of fraud rests with both management and those charged with governance of the entity.</p>
<p><i>Professional Scepticism</i></p> <p>2. Does ED-240 reinforce the exercise of professional scepticism about matters relating to fraud in an audit of financial statements?</p>	<p>ED-240 does reinforce the exercise of professional scepticism about matters relating to fraud in an audit of financial statements. The modernisation of this standard is welcomed by us, and the approach taken to professional scepticism is consistent with the IAASB’s other recent standards.</p>
<p><i>Risk Identification and Assessment</i></p> <p>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?</p>	<p>ED-240 does appropriately build on the foundational requirements of 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. A revised ISA 240 to support a revised core risk standard is much needed.</p>
<p><i>Fraud or Suspected Fraud</i></p> <p>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?</p>	<p>ED-240 does establish robust work effort requirements and application material to address circumstances when instances of fraud or suspected fraud are identified in the audit. However, for a matter that is deemed by the auditor to be clearly inconsequential or to have no possible risk of material misstatement to the financial statements, further procedures should not be required.</p>
<p><i>Transparency on Fraud-Related Responsibilities and Procedures in the Auditor’s Report</i></p> <p>5. Does ED-240 appropriately enhance transparency about matters related to fraud in the auditor’s report?</p>	<p>ED-240 does appropriately enhance transparency about matters related to fraud in the auditor’s report.</p>
<p>6. In your view, should transparency in the auditor’s report about matters</p>	<p>Where an entity is recognised by regulation or standards as a PIE then there should be transparency in the audit report about</p>

<p>related to fraud introduced in ED-240 be applicable to audits of financial statements of entities other than listed entities, such as PIEs?</p>	<p>matters related to fraud as required by ED-240.</p>
<p><i>Considering a Separate Stand-back Requirement in ED-240</i></p> <p>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)?</p>	<p>Stand-back requirements are sufficiently addressed in other standards such as ISA 315 (Revised 2019).</p>
<p><i>Scalability</i></p> <p>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)?</p>	<p>We believe that the approach of ED-240 is appropriately scalable.</p>
<p><i>Linkages to Other ISAs</i></p> <p>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?</p>	<p>ED-240 does have appropriate linkages to other standards.</p>
<p><i>Other Matters</i></p> <p>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.</p>	<p>We have no other matters.</p>