

## 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)	Botswana Accountancy Oversight Authority
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Keotshepile Monepe
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Ephifania Nkanga
E-mail address(es) of contact(s)	<a href="mailto:enkanga@baoa.org.bw">enkanga@baoa.org.bw</a>
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.	<a href="#">Africa and Middle East</a>
	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.	<a href="#">Regulator or assurance oversight authority</a>
	If "Other," please specify.
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The BAOA is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by entities, including Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organizations, and education and training of professional accountants in Botswana.

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:** [Agree, with comments below](#)

**Detailed comments (if any):** ED240 clearly sets out the auditor's responsibilities relating to fraud in an audit of financial statements now that the inherent limitations paragraph has been removed and disclosed separately. The separation of these paragraphs results on the focus being on what the Auditor's responsibilities are without being obscured by inherent limitations relating to fraud. The paragraph regarding the responsibilities of the auditor coming before the paragraph regarding the responsibilities of management and TCWG also highlights the Auditor's importance in the matter as this standard is specifically designed for Auditors.

### *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 comments below](#)

**Detailed comments (if any):** It reiterates the need for / importance of the Auditor to maintain professional skepticism at all times as it encourages a fresh perspective approach to audit engagements and seeks to eliminate being guided by events that might have occurred in the past and they may not necessarily be relevant for period under review in terms of identification of fraud related matters.

*Risk Identification and Assessment*

3. Does ED-240 appropriately build on the foundational requirements in ISA 315 (Revised 2019)<sup>1</sup> 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 comments below](#)

**Detailed comments (if any):** ED 240 provides appropriate linkage to other ISAs which makes it easier to apply along with other standards thus supporting a more robust risk identification and assessment.

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

*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):** Yes, the work effort requirements and applications material in ED-240 is robust. The requirements and application material detail the audit procedures that the Auditor has to perform when, the Auditor; identifies fraud or suspects fraud, identifies misstatement due to fraud, determines that financial statements are materially misstated due to fraud and also the relevant standard to consider when the Auditor is unable to conclude whether the financial statements are materially misstated as a result of 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)*

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):** The proposed amendments on transparency on fraud related responsibilities and procedures in ED- 240 enhance transparency in the Auditor's report, i.e. the requirement for the Auditor to disclose; their responsibilities in relation to fraud, communicate Key Audit Matters Relating to Fraud and to communicate when there are no Key Audit Matters relating to Fraud through the proposed amendments to ISA 701 in the Auditor's Report. This requirement provides the public with information regarding the Auditor's responsibilities relating to an audit of financial statements and conclusions thereon.

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 comments below](#)

**Detailed comments (if any): This will be in line with our jurisdiction requirements for reporting Key Audit Matters.**

*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:** Agree, with comments below

**Detailed comments (if any): Despite there being other paragraphs on stand-back requirements under other ISAs none of these are specific to fraud, considering the concerns that lead to this ED. We believe that there should a separate paragraph on stand back requirement under ISA 240 (Revised) that is specific to fraud.**

*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 comments below

**Detailed comments (if any): The IAASB has appropriately integrated scalability in ED-240. Principles-based and conditional requirements ensure flexibility and relevance, while differential requirements and specific guidance for smaller entities enhance practical application. Context-specific examples show how procedures can adapt based on the audit's nature, ensuring ED-240 is versatile for all entity sizes and complexities.**

*Linkages to Other ISAs*

9. Does ED-240 have appropriate linkages to other ISAs (e.g., ISA 200,<sup>2</sup> ISA 220 (Revised),<sup>3</sup> ISA 315 (Revised 2019), ISA 330,<sup>4</sup> ISA 500,<sup>5</sup> ISA 520,<sup>6</sup> ISA 540 (Revised)<sup>7</sup> and ISA 701<sup>8</sup>) to promote the application of the ISAs in an integrated manner?

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

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):** ED-240 establishes appropriate linkages to other ISAs, promoting integrated application. These linkages ensure a cohesive approach, enhancing consistency and effectiveness in addressing fraud risks across all audit procedures.

#### *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 comments below](#)

**Detailed comments (if any):** We do not have any other matters to raise in relation to ED-240.

#### *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:** [See comments on translation below](#)

**Detailed comments (if any):**

**We do not anticipate any translation issues as we do not translate the final ISAs in our environment.**

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

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

<sup>4</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>5</sup> ISA 500, *Audit Evidence*

<sup>6</sup> ISA 520, *Analytical Procedures*

<sup>7</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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

*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 that the 18 months period after the approval of the final standard would be sufficient.