

## 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)	INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA (ICPAU)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	DERICK NKAJJA
Name(s) of contact(s) for this submission (or leave blank if the same as above)	CHARLES LUTIMBA
E-mail address(es) of contact(s)	standards@icpau.co.ug
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).	

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):

While we agree with the proposals in the ED-240, we are a bit apprehensive that the proposals create the perception that the auditor's major role is fraud detection. We believe that the wording of the standard should be amended to stress that the auditor's major responsibility remains the provision of an opinion on the financial statements while the prevention of fraud is the major responsibility of management.

Additional application material is needed to help auditors easily assess whether a misstatement due to fraud is material or not. Some such misstatements may be individually immaterial but become material when aggregated with other factors. Therefore, additional guidance is necessary concerning when such individual misstatements due to fraud may be considered material.

### *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):**

We believe that the ED-240 reinforces the exercise of professional skepticism about matters relating to fraud in an audit of financial statements. However, we recommend that paragraph 21 be expanded to include events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

*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):**

We believe that to a large extent, the ED-240 appropriately builds 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.

However, we recommend the following:

- a) The application material in A22 be amended to cover not just events and conditions that may exist to create fraud but also the attitude of rationalization as a fraud risk factor.
- b) Paragraph A69 be amended to illustrate acceptable external sources of information from which auditors may obtain information about the issues listed in the paragraph.

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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):**

We believe that the ED-240 establishes robust work effort and application material to address the circumstances when instances of fraud or suspected fraud are identified in the audit.

However, we recommend that Paragraph 56 of ED-240 be amended to require the engagement partner to take responsibility for the performance of additional risk assessment procedures and for the design and performance of further audit procedures in response to the risks of material misstatement due to 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):**

We believe that the ED-240 appropriately enhances transparency about matters related to fraud in the auditor's report. We are particularly appreciative of the requirement for auditors to include a statement about the absence of key audit matters related to fraud when required. To ensure that the desired enhanced transparency in the standard is achieved, We suggest a post-implementation review of the proposed requirements for enhanced communication of fraud-related auditor responsibilities in the auditor report be conducted.

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):**

We agree that the proposed enhanced transparency in the auditor's report about matters related to fraud should apply to audits of financial statements of entities other than listed entities. However, we recommend that great effort be taken to ensure that the proposed requirements in the auditor's report are consistent with the requirements in the ISA 701 regarding the communication of Key Audit Matters (KAMs).

*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):**

We support the new overarching requirement for auditors to remain alert throughout the audit engagements for indicators of fraud or suspected fraud as well as the requirements in the other ISAs particularly ISA 315 (Revised 2019), ISA 330, and ISA 540 (Revised) to provide robust responses to the assessed risks of material misstatement due to fraud. We believe that fulfillment of the requirements in the other ISAs regarding suspected or actual fraud negates the need for the inclusion of the same requirement in the ISA 240.

*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,<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):**

We believe that the ED-240 has appropriate linkages to other ISAs and are appreciative of the fact that it was done in a proper way to avoid duplication of the other ISAs.

*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):**

Except for the matters as mentioned earlier, we have no further comments on the proposed standard.

*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):**

*Effective Date*

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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*

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 proposed effective date for the standard would provide a sufficient period to support the effective implementation of the ISA.