

IAASB
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Filled via website

Prague 5th June 2024

Subject:
Exposure draft – ISA 240 (Revised): The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

Dears,

We are pleased to respond to the International Auditing and Assurance Standards Board (IAASB) proposed International Standard on Auditing 240 (revised), The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial (ED -ISA 240).

Below you can find our answers to the Board’s questions with our arguments, where relevant.

CA CR is the relevant local authority in the Czech Republic that adopt ISA for usage in the audit practice.

Yours sincerely

Ladislav Mejzlík
President of the CA CR

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	The Chamber of Auditors of the Czech Republic
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Marie Jandova
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	jandova@kacr.cz
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.	Europe
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Member body and other professional organization
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

PART B: Responses to Questions for Respondents in the EM for the ED

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: [Disagree, with comments below](#)

Detailed comments (if any):

The definition of fraud should be clear as far as third parties are concerned. It should be clear that it is not the auditor's responsibility to detect fraud committed by third parties. It is the auditor's responsibility to identify risks of material misstatement of the financial statements caused by fraud.

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

While we believe the inclusion of examples in the standards is helpful, it should be made clear that it is not an implicit requirement of the standard in every audit. For example, in the case of the list of example conditions in A26, there is a risk that the list will be considered by auditors as a checklist to be an implicit requirement that the auditor should address in each audit.

Risk Identification and Assessment

3. Does ED-240 appropriately build on the foundational requirements in ISA 315 (Revised 2019)¹ 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: [Disagree, with comments below](#)

Detailed comments (if any):

We believe that the requirements of ISA 315 (Revised 2019) should not be repeated in ED-240, except when a specific procedure beyond those required by ISA 315 (Revised 2019) is required.

In paragraph 35b, we miss the inquiry about the entity's internal control system to make the paragraph consistent with paragraph A89.

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 propose to add to A 158 an example when a manager-owner commits fraud.

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

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: [Disagree, with comments below](#)

Detailed comments (if any):

We do not believe it would be beneficial to have a subsection specific to fraud in the Key Audit Matters section. This could lead to higher expectations by users of the financial statements regarding the auditor's responsibilities in relation to fraud. At the same time, if this subsection states that there are no key audit matters relating to fraud to communicate, it may lead users of the financial statements to believe that no fraud occurred during the accounting period.

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: [Disagree, with comments below](#)

Detailed comments (if any):

In our view, the transparency in the auditor's report on fraud-related matters introduced in ED-240 should be applied only to audits of financial statements of listed entities. Local regulation may extend the requirement (e.g. to PIE's as defined by local jurisdiction).

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 \(with no further comments\)](#)

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: [Disagree, with comments below](#)

Detailed comments (if any):

We would welcome additional paragraphs focusing on SME/SMP. Much of the standard is focused on large companies and large audit teams (e.g. the application part to paragraph 35a). In addition, the application part to this paragraph seems to be focused mainly on what the entity should do; we believe that ISA shall rather focus on what the auditor is expected to do.

Linkages to Other ISAs

9. Does ED-240 have appropriate linkages to other ISAs (e.g., ISA 200,² ISA 220 (Revised),³ ISA 315 (Revised 2019), ISA 330,⁴ ISA 500,⁵ ISA 520,⁶ ISA 540 (Revised)⁷ and ISA 701⁸) to promote the application of the ISAs in an integrated manner?

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

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

Detailed comments (if any):

We believe that reference to another ISA should be made only when there is a specific procedure to be performed in addition to those already required.

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

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

⁴ ISA 330, *The Auditor's Responses to Assessed Risks*

⁵ ISA 500, *Audit Evidence*

⁶ ISA 520, *Analytical Procedures*

⁷ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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

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: [Yes, with comments below](#)

Detailed comments (if any):

Engagement resources

We believe that, for example, paragraphs 22 and A36 focus too much on human resources. We suggest adding that the available technology (IT equipment) for performing audit procedures, e.g. for testing journal entries, should be considered when assessing engagement resources before accepting the engagement.

We consider that it is not possible to verify the completeness of the journal entries (see requirement A135) without the use of automated tools and techniques.

Analytical procedures

We would appreciate more detailed guidance related to preliminary and final analytical procedures in relation to the risk of material misstatement due to fraud.

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 see any issue in translating the standard.

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):

The provided period is sufficient.
