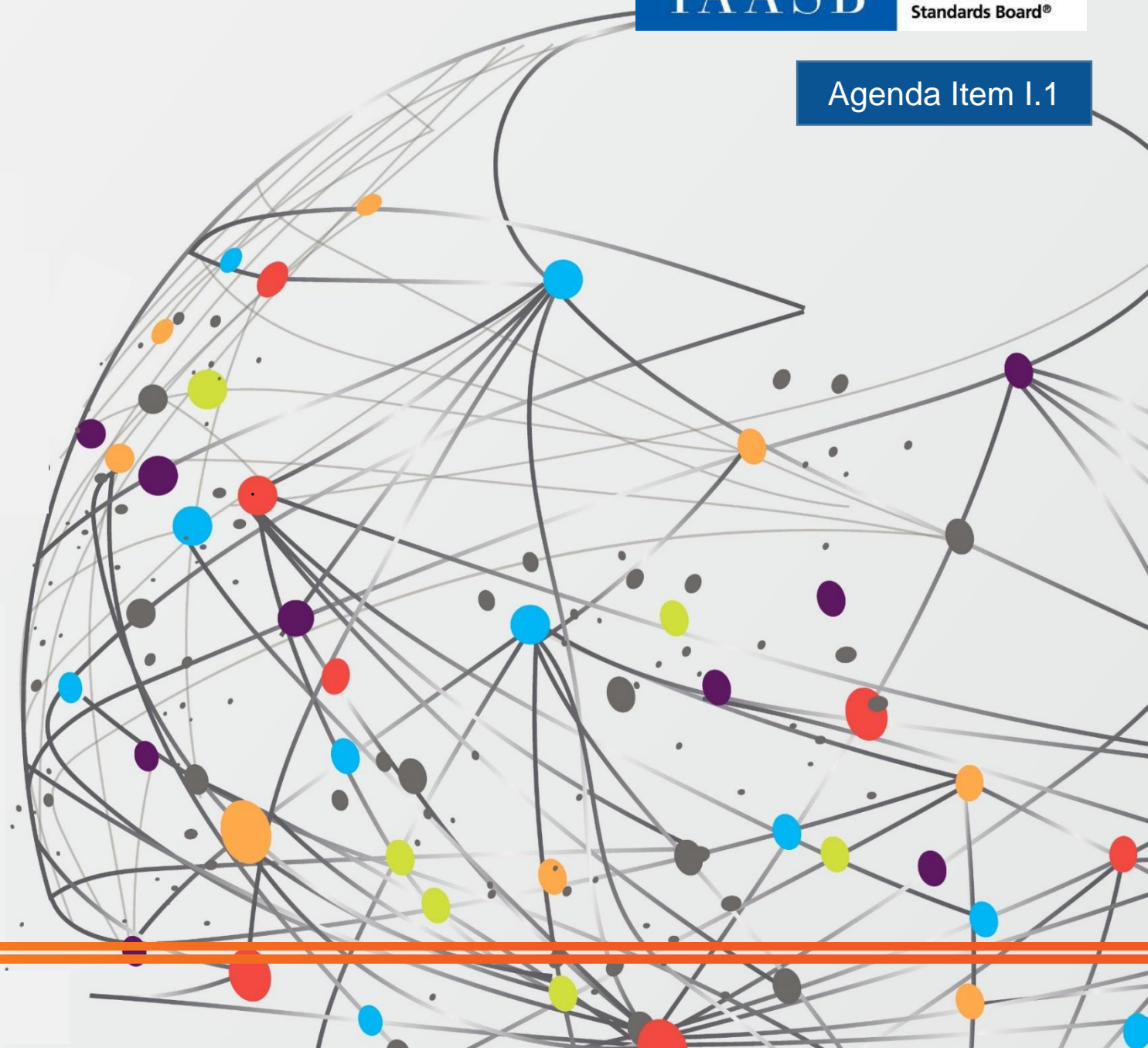
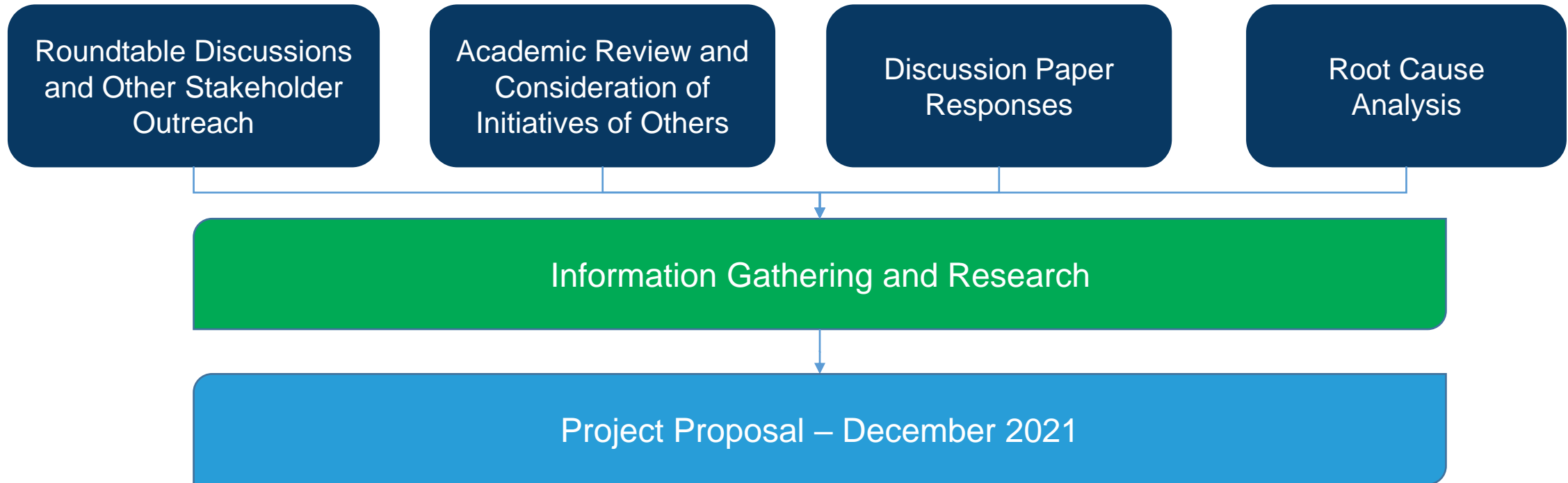


Fraud Update

IAASB CAG Meeting
Lyn Provost, Working Group Chair
September 8–9, 2021



Status Overview



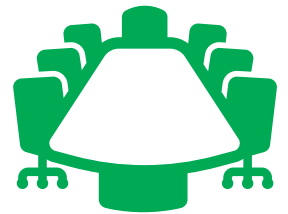
Progress Since March 2021

- Fraud Working Group met on multiple occasions to discuss DP feedback
- Board meeting discussions in April, June and July 2021
 - High-level summary of Board discussions included on subsequent slides



April 2021 Board Meeting Discussion

- Obtained Board views on proposed possible way forward for matters related to fraud identified through information-gathering activities
- Specific comments and suggestions included
 - Focus on a collaborative multi-stakeholder approach
 - Support for multiple areas of standard setting (e.g., auditor's consideration of fraud in risk assessment, communication with TCWG, JE testing, etc.)
 - However, certain areas where further analysis needed
 - These areas were discussed at subsequent June and July meetings (see subsequent slides)



April 2021 Board Meeting Discussion (cont.)

- Specific comments and suggestions (cont.)
 - Broadly did not support
 - Expanding responsibilities of auditor to detect all non-material fraud or third-party fraud not directly related to material misstatement in the financial statements, but supported non-authoritative guidance
 - Enhanced requirements for engagement quality reviews
 - Further refinement or definition of “expectation gap”
 - Support for root-cause analysis to better understand nature of real fraud cases



June 2021 Board Meeting Discussion

- Further analysis and deliberation on six specific matters where mixed views or further analysis were necessary based on April 2021 discussion
- Specific comments and suggestions included
 - Agreement to consider using clearer and more positive language regarding the role of the auditor in **the introductory language in ISA 240**
 - Support for the WG's recommendation on **requiring consideration of the use of forensic specialists** in certain circumstances
 - Agreement that the **definition of fraud** should not be revised to include specific reference to bribery and corruption, but rather clarify how these concepts are interlinked to fraud



June 2021 Board Meeting Discussion (cont.)

- Specific comments and suggestions included (cont.)
 - No support to introduce concept of ‘**Suspicious mindset**’ in ISAs, but rather enhance and emphasize professional skepticism
 - Support for WG recommendation to clarify the **rebuttable presumption of risks of fraud in revenue recognition**, but suggestion to shift away from clarifying when it is appropriate to rebut and instead focus on when it is inappropriate
 - Support for exploration of enhancements related to **external confirmations**, but only to the extent these are specific to fraud

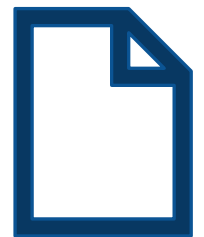


July 2021 Board Meeting Discussion

- Further analysis and deliberation on remaining four specific matters where mixed views or further analysis were necessary based on April 2021 discussion
- Specific comments and suggestions included
 - Support for further exploration around **more transparency in the auditor's report**
 - Support for enhancements to make the **engagement team discussion** more robust
 - Support for **clarifying the relationship between ISA 240 and ISA 250 (Revised)** in guidance, but suggestions to remain open to possible further exploration for standard setting
 - Comments that re-ordering requirements related **to identified or suspected fraud** is unlikely to change auditor behavior, and more may be needed

July 2021 Board Meeting Discussion (cont.)

- Board views were also obtained on draft elements of project proposal (key public interest issues, project objectives and project scope)
 - Board members broadly supportive of incorporation of Monitoring Group's Public Interest Framework (PIF) into the project proposal
 - Broadly supportive of draft key public interest issues, project objectives and project scope, with comments on wording and format for Fraud WG to consider
 - See next slide for public interest issues



Key Public Interest Issues

#1 - Determining the appropriate role and responsibilities of the auditor in relation to fraud in an audit of financial statements

#2 - Enhancing the connection of ISA 240 to the IAASB's other standards and fostering an integrated risk-based approach

#3 - Facilitating appropriate transparency in communications between the auditor and TCWG and within the auditor's report

#4 - Fostering the exercise of professional skepticism in the auditor's fraud-related procedures

#5 - Addressing advances in technology relevant to the auditor's responsibilities relating to fraud

Next Steps

- Fraud Project proposal
 - To be discussed and approved during December 2021 IAASB meeting
 - Separate meeting to be arranged in December 2021 to discuss with CAG representatives



Questions or Comments?





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