

**ISA 240 Draft letter of comment: final after comments**

By Email [tomseidenstein@iaasb.org](mailto:tomseidenstein@iaasb.org)

Mr Tom SEIDENSTEIN,

Chair,

International Auditing and Assurance Standards Board,

529 Fifth Avenue, 6th Floor,

New York,

New York 100017,

United States

**Re: IAASB Discussion Paper on Fraud and Going Concern in an Audit of Financial Statements**

Dear Mr Seidenstein,

We apologise for this late reaction to the invitation to submit comments in response to the Discussion Paper on Fraud and Going Concern in an Audit of Financial Statements. We submit this comment on behalf of the Belgian National Chapter of Transparency International.

By way of introduction, since mid-2017 within our Chapter, a group of Board members with relevant accounting professional backgrounds have been considering what we believe is the crucial role of the accountancy profession in Belgium in the combat of corruption. We do not wish to address the different questions in the Discussion Paper. We welcome the discussion on the enhancement of the role of the auditor in relation to fraud and going concern in an audit as well as on the relevance and the societal role of the auditors. We would like to highlight a single point important to us, namely the absence of specific mention of corruption in ISA 240 as an element of fraud.

Within our project group, we have accountants who have particular relevant international experience in audit or forensic audit missions as regards fraud and associated corruption. Since 2017, we have held two public seminars, mainly attended by accountants and representatives of relevant accountancy bodies and regulators addressing what we see as the crucial role of accountants in the combat of corruption. We have principally but not exclusively focused on accountants in an audit context. Likewise, whilst we believe the role of accountants to be crucial in this combat, this in no way minimizes the responsibility of management and audit committees for the integrity of financial statements and addressing the risk of fraud in entities.

The impact of the coronavirus crisis meant that our further public action after successful seminars in 2017 and 2019, was restricted. However, we were able to organize recently a virtual round table with representation from the Belgian Institute of Auditors, practising auditors, academia and two of the relevant regulatory bodies. From the discussions we concluded that corruption, whilst in some cases an

element of fraud and associated criminality, as in the case of money-laundering, was very rarely, if at all, specifically mentioned

We therefore recommend that in ISA240 fraud be specifically defined as follows: (1) asset misappropriation, (2) fraudulent statements and (3) bribery and corruption. It corresponds to the definitions of fraud applied by for example ACFE (1997 onwards) and COSO (Fraud Risk Management model, 2016 onwards).

We hope our observations in this letter provide useful input as the Board progresses its thinking on these topics in auditing standards and specifically in ISA240.

We believe that though corruption in monetary or other forms might very rarely be directly material to financial statements subject to audit, the potential impact of eventually resultant penalties may be far more important and possibly material. Further, with the current transposition into national legislation of the European Union Directive on Whistle-blowing addressing the protection of whistle-blowers, which may lead to more focus on fraud, we believe that it is an appropriate moment to re-consider its description in ISA240.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Thomas Vermaerke, Executive Director TI Belgium

Yours truly,

For Transparency International Belgian Chapter

Dominique Dussard, Chair,

Thomas Vermaerke, Executive Director