

Fraud – Revising ISA 240

IAASB Meeting
March 2025



Timeline and Milestones



The Journey



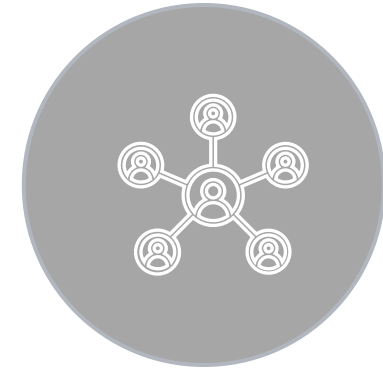
26 Task Force
Meetings



15 Board
Discussions



89 ED-240 Written
Responses



10 Project Specific
Outreach Engagements
since ED-240

Activities of the Fraud TF and Staff since December 2025

Two Fraud TF Meetings

Consulted with IESBA Staff

Consulted with the Professional
Skepticism Consultation Group



Project Objectives that Support the Public Interest



Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements



Promote consistent behavior and facilitate effective responses to identified risks of material misstatement (ROMMs) due to fraud



Reinforce the importance, throughout the audit, of the appropriate exercise of professional skepticism in fraud-related audit procedures



Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance (TCWG) and the reporting requirements in ISA 240 and other relevant ISAs

What We Heard Since Posting

Risk of Management Override of Controls



Concerns raised about:

- Removing the link with significant risk
- Number of proposed conforming and consequential amendments

Will be further discussed during walkthrough

Stand-Back Requirement



Revisiting the need for a stand-back requirement based on:

- Analysis of stand-back requirements throughout the ISAs by the Audit Evidence/Risk Response project team
- Concerns raised by a member of the Monitoring Group

Possible Stand-Back Requirement

Overall Evaluation Based on Audit Procedures Performed

53A. In applying ISA 330,¹ the auditor shall evaluate, based on the audit procedures performed and audit evidence obtained, whether:

- (a) The assessments of the risks of material misstatement due to fraud remain appropriate; and
- (b) Sufficient appropriate audit evidence has been obtained in response to the assessed risks of material misstatement due to fraud.

¹ ISA 330, paragraphs 25-26, A62-A64

Walkthrough of Proposed ISA 240 (Revised)

Matter for IAASB Consideration

INTRODUCTION



- The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.
- Specifically, does the Board agree with the Fraud TF's views and recommendations outlined in **paragraph 22 of Section 2 of Agenda Item 2** on how to clarify the interaction between proposed ISA 240 (Revised) and ISA 250 (Revised) when fraud or suspected fraud is identified in an audit?

Section in Agenda Item 2-B	Related Paragraphs
Introduction: <ul style="list-style-type: none">• Scope of this ISA• Responsibilities of the Auditor, Management and TCWG• Key Concepts in this ISA• Relationship with Other ISAs	Paras. 1–15, A1–A17

Matter for IAASB Consideration

EFFECTIVE DATE, OBJECTIVES AND DEFINITION



The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.

Section in Agenda Item 2-B	Related Paragraphs
Effective Date	Para. 16
Objectives	Para. 17
Definition	Paras. 18, A18–A25

Matter for IAASB Consideration

PROFESSIONAL SKEPTICISM, ENGAGEMENT RESOURCES, COMMUNICATIONS



The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.

Section in Agenda Item 2-B	Related Paragraphs
Professional Skepticism	Paras. 19–22, A26–A36
Engagement Resources Engagement Performance Ongoing Nature of Communications with Management and TCWG	Paras. 23–25, A37–A47

Matter for IAASB Consideration

RISK ASSESSMENT PROCEDURES



The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.

Section in Agenda Item 2-B	Related Paragraphs
Risk Assessment Procedures and Related Activities	Paras. 26–30, A48–A59
Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity’s System of Internal Control	Paras. 31–35, 37, A60–A100, A107, A108



Let’s defer the discussion about the proposed revisions relating to risks of management override of controls (paragraphs 36, A101-A106) until the next slide.

Risk of Management Override of Controls

Proposal to reinstate the link between the risk of management override of controls and significant risk

Impact:

- Paragraph 36 to be reverted back to the December version
- Removal of the words “at the assertion level” in paragraph 39(b)
- Removal of conforming and consequential amendments related to the changes to management override of controls

Matter for IAASB Consideration

RISK ASSESSMENT PROCEDURES (CONT.)



- The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.
- Specifically, does the Board agree with the Fraud TF's views and recommendations outlined in **paragraph 18** of **Section I** of **Agenda Item 2** regarding how auditors should assess risks of management override of controls?

Section in Agenda Item 2-B	Related Paragraphs
Evaluation of Fraud Risk Factors Identifying and Assessing the ROMMs due to Fraud	Paras. 36, 38–41, A101–106, A109–A123

Matter for IAASB Consideration

RESPONSES TO ASSESSED RISKS



The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.

Section in Agenda Item 2-B	Related Paragraphs
Responses to the Assessed ROMMs due to Fraud	Paras. 42–53, A124–A153

Matter for IAASB Consideration

FRAUD OR SUSPECTED FRAUD



The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.

Section in Agenda Item 2-B	Related Paragraphs
Fraud or Suspected Fraud	Paras. 54–57, A154–A170



Let's defer discussion about the proposed conforming and consequential amendments to ISA 600 (Revised) to when we discuss all conforming and consequential amendments to ISAs in a later section.

Matter for IAASB Consideration

VARIOUS



The Board is asked for its views on the paragraphs listed below of proposed ISA 240 (Revised), as presented in **Agenda Item 2-B**.

Section in Agenda Item 2-B	Related Paragraphs
Auditor Unable to Continue the Audit Engagement Auditor's Report Written Representations	Paras. 58–62, A170–A192
Communications with Management and TCWG Reporting to an Appropriate Authority Outside the Entity Documentation	Paras. 63–67, A193–A204 Appendix 1-5

Conforming and Consequential Amendments

Matters for IAASB Consideration:

Question 2 in Agenda Item 2:

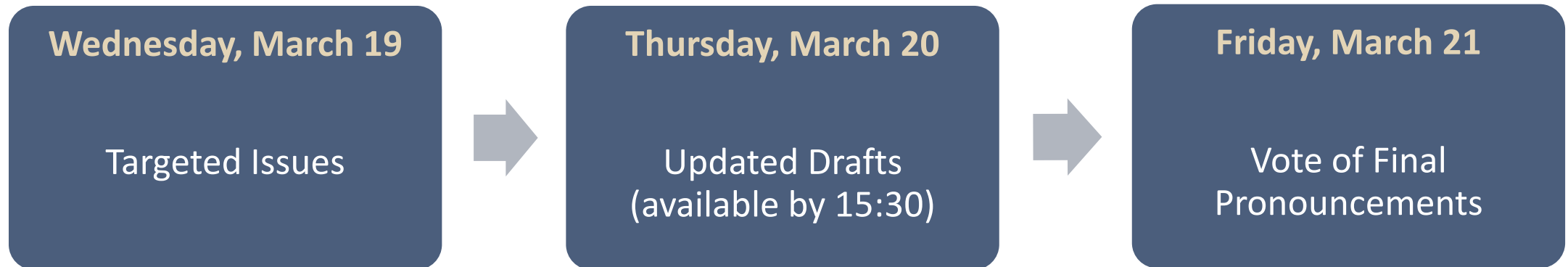


Question 2 in Agenda Item 2:

The Board is asked for its views on the proposed conforming and consequential amendments arising from proposed ISA 240 (Revised), as presented in **Agenda Item 2-D** (which are further explained in **Agenda Item 2-A**), including:

- a) Does the Board agree with the Fraud TF's proposed consequential amendments to ISA 600 (Revised) described in **paragraphs 26–27** in **Part B** of **Agenda Item 2** which relate to applying the fraud and suspected fraud requirements in a group audit?

Next Steps



Way Forward

July 2025

- Expected PIOB Certification
- Publication of Final Standard and Basis for Conclusions

Effective date

- For audits of financial statements for period beginning on or after Dec. 15, 2026

Implementation