

# Fraud in an Audit of Financial Statements

**Lyn Provost, Fraud Task Force Chair**

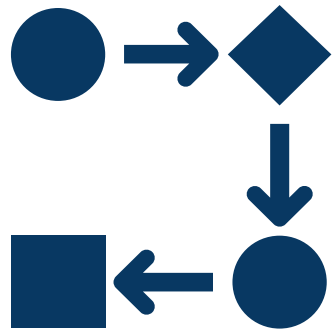
**IAASB CAG Meeting**

**March 9, 2022**

**Agenda Item H.1**



# Identifying and Assessing the ROMMs Due to Fraud



Structure and  
Flow

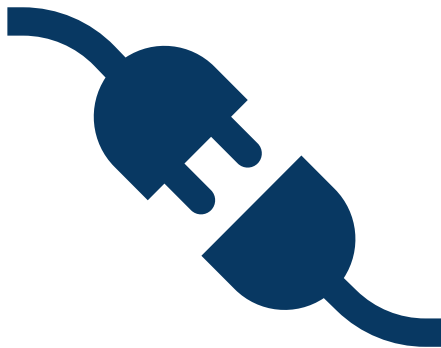


Content –  
strengthen and  
enhance  
procedures for risk  
identification and  
assessment

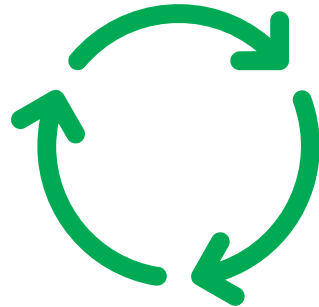
Proposed changes to restructure ISA 240 to align with a similar flow in ISA 315 (Revised 2019)

Proposed changes to demonstrate the integrated nature of ISA 240 and ISA 315 (Revised 2019), including strengthening and enhancing requirements for a more robust fraud risk identification and assessment

# Communication with TCWG



Two-Way  
Communication

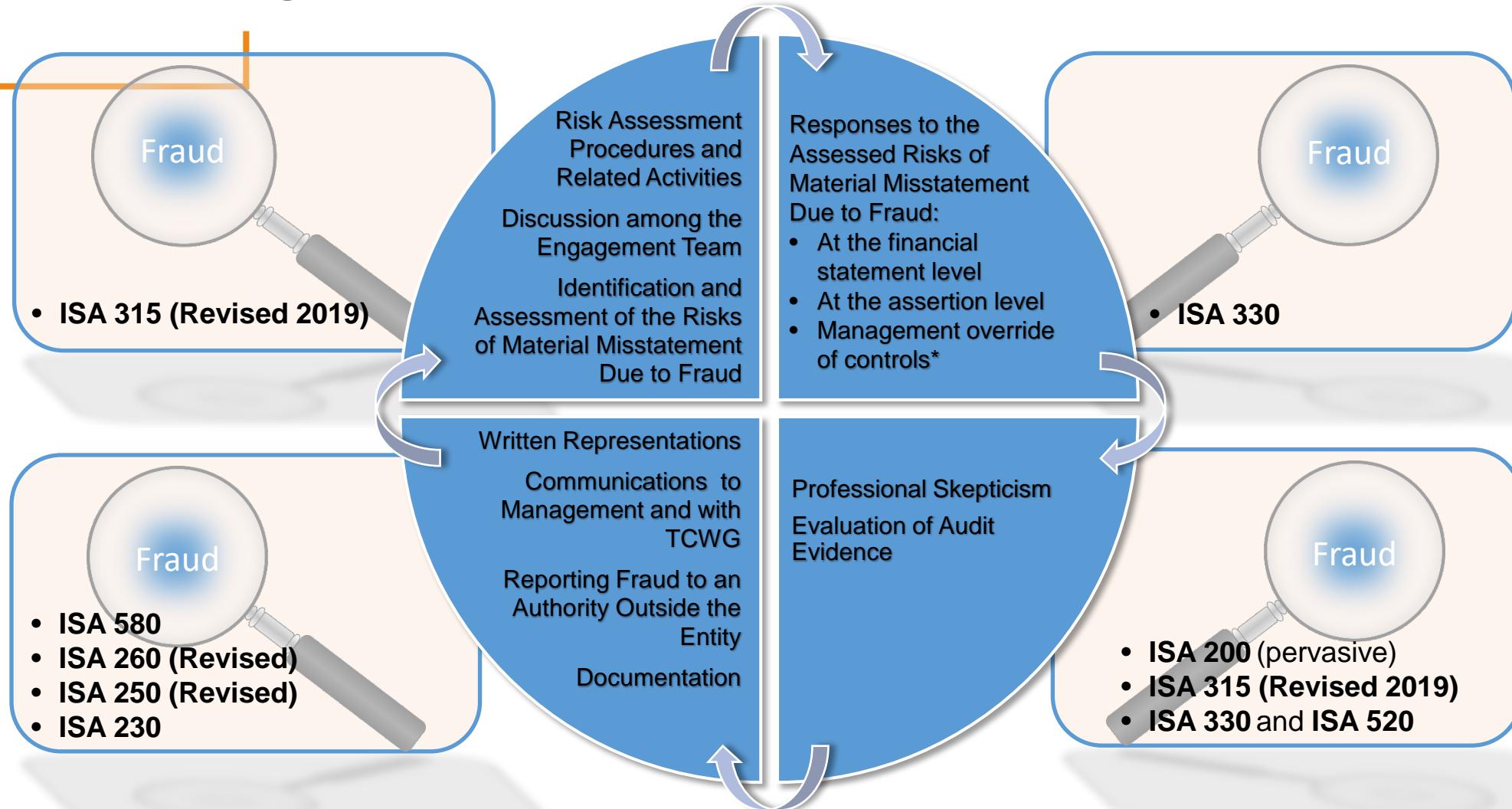


Ongoing Nature  
of  
Communication

Proposed changes to encourage two-way communication with those charged with governance (TCWG), including specific discussions about the entity's ROMMs due to fraud

Proposed changes to emphasize the ongoing nature of communication with TCWG about fraud throughout the audit

# Developing Non-Authoritative Guidance for ISA 240



\* Includes specific audit procedures to address journal entries, biases in accounting estimates (**ISA 540 (Revised)**<sup>x</sup>), and significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual (including related party relationships and transactions in **ISA 550**<sup>x1</sup>).

# Transparency in Reporting on Fraud

Exploring revisions to ISA 240 by undertaking targeted outreach to users of general-purpose financial reports on these alternatives

## 01<sup>st</sup> Alternative

Detailed description of the fraud risks identified, the auditor's response and the auditor's findings/observations in the auditor's report

## 02<sup>nd</sup> Alternative

High-level description of the fraud risks identified and how the auditor addressed the fraud risks in the auditor's report

## 03<sup>rd</sup> Alternative

Description of the extent to which the audit is considered capable of identifying and assessing ROMMs due to fraud in the auditor's report

## 04<sup>th</sup> Alternative

Mechanism other than the auditor's report to enhance the transparency.

# Matters for IAASB CAG Consideration

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1. Representatives are asked for their views on:
    - (a) Whether alternatives 1-3 presented in **Section IV** of **Agenda Item H.2** (and slide 5) are appropriate alternatives to discuss with users of the financial statements. Representatives are also asked for any ideas on alternative 4 (“other mechanisms”)
    - (b) Any other matters raised in **Agenda Item H.2**

The logo consists of the letters "IAASB" in a white, serif font, centered within a solid blue rectangular background.

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