



Stellungnahme im Rahmen der Konsultation des IAASB zum Entwurf des geänderten ISA 240 – Verantwortlichkeiten des Abschlussprüfers bei dolosen Handlungen

Die WPK hat mit Schreiben vom 31. Mai 2024 gegenüber dem International Auditing and Assurance Board (IAASB) zum Entwurf des geänderten ISA 240 Verantwortlichkeiten des Abschlussprüfers bei dolosen Handlungen (*Proposed International Standard on Auditing 240 (Revised): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*) wie nachfolgend wiedergegeben Stellung genommen.

The Wirtschaftsprüferkammer (WPK) is pleased to take this opportunity to comment on the above-mentioned Exposure Draft (ED). We would like to highlight some general views first and provide you with our specific responses to selected questions of the ED subsequently.

General Comments

Overall, we would like to express our gratitude for the excellent draft and appreciate that the topic of fraud has been addressed by the IAASB.

In general, it should be avoided that the audit of the financial statements is perceived as a forensic audit. The annual audit is and remains first and foremost a conformity audit.

With regard to specific proposed provisions we are particularly concerned that the requirements in paragraph 55 need not only to be applied to instances of fraud but also to instances of suspected fraud, especially due to the fact that the term "suspected fraud" is not defined in the proposed ED-240.

In addition, it is proposed in paragraphs 41 and 42 of ED-240 to require management override of controls to be assessed as a risk of material misstatement due to fraud and presume that there are risks of material misstatement due to fraud in revenue recognition. It is therefore to be expected that this will presumably entail reporting on both fraud-related risk areas within the key

audit matters in most cases. In this connection, we also fear the risk of boilerplating (i.e. using standard text) if there are no specific circumstances.

Regarding the aspects of smaller or less complex entity, additional examples should be provided of specific requirements that can be omitted or applied in a more straightforward way.

Specific Questions

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?

While we basically agree with the proposals regarding the auditor's responsibilities relating to fraud in an audit of financial statements, we would like to emphasize the importance of clearly articulating that the audit of the financial statements should not be mistaken for a forensic audit. While addressing fraud in a financial audit is crucial, it is imperative to maintain a distinction between the two kinds of engagements considering the different objectives and methodologies. The purpose of a financial audit primarily is about ensuring the accuracy and fairness of financial statements as well as compliance with accounting standards, and providing assurance to stakeholders. In contrast, forensic audits are specifically focused on investigating suspicions of fraud, misconduct, or legal irregularities, often involving specialized techniques and procedures.

Clarity in communication regarding the nature and scope of the audit is essential to avoid misconceptions among stakeholders. It is vital that the draft explicitly delineates the boundaries of the audit process and underscores that while it includes procedures to detect material misstatements due to fraud, its primary focus remains on the overall compliance with the financial reporting framework. This distinction not only safeguards the integrity and objectivity of the audit but also helps manage expectations among stakeholders regarding the outcomes and limitations of the engagement.

Such clarification and distinction will ultimately contribute to enhance the effectiveness and credibility of the financial audit and to avoid a further increase of the expectation gap.

Professional Skepticism

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

Yes, in principle we agree with the proposals, since professional skepticism within the audit process is a fundamental principle adhered to by every conscientious auditor. However, this

professional skepticism, which is deeply ingrained in the profession, does not just rely on following rules and standards. It is developed through thorough training, strong independence, and sharp intuition.

The essence of auditing lies not just in following prescribed auditing standards but in exercising professional judgment, professional skepticism, and discernment throughout the entire audit engagement. While standards provide a framework, it is the auditor's skill set, attitude, and ability to navigate complexities that truly drive the effectiveness of the financial audit.

Professional skepticism is nurtured through experience, continuous learning, and a commitment to upholding the highest standards of integrity and professionalism. It involves challenging assumptions, probing for inconsistencies, and maintaining a cautious eye for potential risks or discrepancies. These qualities, improved over time, empower auditors to fulfil their mandate of providing reliable and objective assurance to stakeholders.

In essence, while we support the proposed enhancements, it is crucial to recognize that the essence of professional skepticism and critical thinking in auditing exceeds mere adherence to standards; it is a multifaceted attribute cultivated through a combination of education, experience, and ethical integrity. Imposing burdensome requirements does not necessarily support this approach.

Risk Identification and Assessment

3. Does ED-240 appropriately build on the foundational requirements in ISA 315 (Revised 2019) and other ISAs to support a more robust risk identification and assessment as it relates to fraud in an audit of financial statements?

In our view, the proposed requirements in paragraph 40 (b) are not fully consistent with the spectrum of inherent risks in ISA 315. Therefore, the requirements in paragraph 40b should be more closely aligned with or explained in relation to the spectrum of inherent risks in ISA 315.

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?

As mentioned above, we basically would like to emphasize the importance of clearly articulating that the audit of the financial statements should not be mistaken for a forensic audit.

Moreover, the extensive requirements in paragraph 55 need not only to be applied to instances of fraud but also to instances of suspected fraud. However, the term "suspected fraud" is not defined in the proposed ED-240. Paragraph 7 merely states that „suspected fraud includes

allegations of fraud that come of the auditor's attention during the course of the audit". Paragraph 8 adds that „the auditor's determination of whether a fraud or suspected fraud is material to the financial statements involves the exercise of professional judgment“.

We recommend to give more guidance as to how the auditor shall deal with allegations of fraud and under which conditions such allegations need to be addressed as suspected fraud applying the requirements of paragraph 55. A revision in this respect is encouraged.

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?

We do not agree that ED-240 will enhance transparency about matters related to fraud in the auditor's report.

While we agree that fraud-related matters shall be addressed as key audit matters if they are actually considered as such in accordance with ISA 701, we believe that the requirements of ED-240 will result in a situation that each auditor's report issued on audits to which ISA 701 applies will include a statement relating to fraud in the key audit matters because this will become the overall expectation.

Paragraphs 41 and 42 of ED-240 require to assess management override of controls as a risk of material misstatement due to fraud and to presume that there are risks of material misstatement due to fraud in revenue recognition. It is therefore to be expected that this will presumably entail reporting on both fraud-related risk areas within the key audit matters in most cases. In this connection, we also fear the risk of boilerplating (i.e. using standard text) if there are no specific circumstances. As a consequence, this could hinder the acknowledgment and understanding of genuinely significant fraud risks if they were to arise.

Furthermore, an explicit statement that "there are no key audit matters related to fraud to communicate" as suggested in paragraph 64 of ED-240 might be misleading and increase the expectation gap. Such statement is considered the more problematic in the light of the provision in A175 of ED-240 that it is also to be included in the auditor's report if the auditor determines not to communicate a key audit matter related to fraud in accordance with paragraph 14 of ISA 701, i.e. when law or regulation precludes public disclosure about the matter or if, in extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because of the potential adverse consequences. In contrast, intended users may understand the phrase "there are no key audit matters related to fraud to communicate" in a way that no fraud or fraud-related matters have been identified.

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?*

No, these requirements should not be extended beyond the scope of ISA 701.

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)?*

Yes, we agree with the decision not to include a separate stand-back requirement as it is already a well-established routine practiced throughout the audit process to evaluate all relevant audit evidence obtained, whether corroborative or contradictory, and whether sufficient appropriate audit evidence has been obtained. This also applies to the appropriateness and sufficiency of the audit response to the assessed risks of material misstatement due to fraud. Introducing an additional separate stand-back requirement would imply a false sense of precision, whereas offering no substantive value for the result of the audit.

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)?*

No, we do not believe that the IAASB has appropriately and sufficiently integrated scalability considerations in ED-240. The discussions on scalability in A58 seem rather vague and offer only limited assistance. The first example in A58 stating that "a smaller or less complex entity may not have a written code of conduct but, instead, may have developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example" is of little practical value. The discussions should delve more deeply into the actual concerns of smaller or less complex entities. Furthermore, examples should be provided of specific requirements that can be omitted or applied in a more straightforward way.

Linkages to Other ISAs

9. Does ED-240 have appropriate linkages to other ISAs (e.g., ISA 200, ISA 220 (Revised), ISA 315 (Revised 2019), ISA 330, ISA 500, ISA 520,30 ISA 540 (Revised) and ISA 701) to promote the application of the ISAs in an integrated manner?

Yes, ED-240 has appropriate linkages to other ISAs to promote the application of the ISAs in an integrated manner.

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.

No comment.

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.

No comment.

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?

No comment.

We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.
