

ASB Meeting – May 11-12, 2022

Agenda Item 3A – Fraud

---



# IAASB Fraud Project Timeline

**Aug 2020:**

Issued Discussion Paper

**Jan 2021:**

Comments due on Discussion Paper

**Apr/Jun/Jul 2021:**

Discussed comments and proposals

**Dec 2021:**

Approved Project Proposal

**March 2022:**

Request input on specific proposed actions to address three issues:

- Risk identification and assessment
- Communication with those charged with governance
- Transparency
- Non-authoritative guidance

## IAASB Task Force Members:

- Lyn Provost – New Zealand, former Controller and Auditor General of NZ
- Julie Corden – Canada, Deloitte
- Josephine Jackson – UK, FRC
- Len Jui – Hong Kong, KPMG
- Diane Larsen – US, E&Y

**JUNE 2022**

Intro, definitions, JE requirements, specialized skills, presumed fraud risk (revenue recognition)

**Jun 2023:**

Issue exposure draft

**Oct 2023:**

Comments due on exposure draft

**Dec 2024:**

Issue final standard

# March 2022 IAASB Topics of Discussion

### Identifying and Assessing Risks:

- Restructure 240 to align with order of 315R
- Develop AM to clarify that risk assessment procedures in 240 are not separate from those in 315R
- Make revisions to “inquiries of mgmt and TCWG”
- Consider “sources of other info” with a fraud lens (acceptance & continuance, 720 procedures, other procedures)
- Make the engagement team discussion more robust
- Emphasize the importance of UEE on the consideration of fraud
- Include a stronger link to the susceptibility to misstatement in applying the financial reporting framework
- Reflect a “fraud lens” for understanding each of the components of the system of internal control
- Split the requirements for identifying RoMMs and assessing RoMMs
- Keep list of fraud risks factors as an appendix, but incorporate into examples within the AM, and modernize list

### Communication with Those Charged With Governance

- Specifically communicate assessment of RoMMs due to fraud
- Two-way discussion about specific fraud-related matters, including consideration of who to talk to and who to assign from the audit team
- Ongoing communications – new requirement or new AM??
- Inquiries of TCWG are in part to corroborate inquiries with mgmt
- New requirement to determine whether remediation measures (for identified control deficiencies or misstatements due to fraud) are appropriate
- New AM to clarify that effective participation by TCWG is influenced by their independence from management and their ability to objectively evaluate the actions of management

### Transparency:

Undertake **targeted outreach to users** of general-purpose financial reports – share examples of fraud disclosures from UK & NL reports and present the alternatives shown below (also ask “what else can be done to clarify auditor’s responsibilities” and “what is the appropriate scope of transparency requirements” (e.g., all entities, PIEs only, listed only)):

1. Detailed description of the fraud risks identified, the auditor’s response, and the auditor’s findings/observations
2. High-level description of the fraud risks identified & how the auditor addressed the fraud risks (*similar to NL*)
3. Explain to what extent the audit is considered capable of identifying & assessing RoMMs due to fraud (*similar to UK*)
4. Mechanism other than the auditor’s report to demonstrate the enhanced transparency that is being called for.  
For example, this transparency could include one or more of the following:
  - Emphasizing, using the existing requirements for the communication of KAMs, when there is a RoMM due to fraud
  - Strengthened communication and two-way discussions with TCWG about the RoMMs due to fraud, the auditor’s responses to address the assessed ROMMs, and the findings from those procedures

### Non-Authoritative Guidance:

- Higher-level depiction of linkage between 240 and other ISAs
- Holistic diagram, together with a narrative succinctly describing the important linkages between certain standards that underpin ISA 240 (i.e., ISA 200, ISA 315R and ISA 330)
- Detailed depiction of the interrelationships between ISA 240 and the other ISAs is better suited to the end of the project

## Outcomes from March 2022 IAASB Meeting

### Identifying and Assessing Risks

- Overall, IAASB generally agreed with restructuring 240 to follow 315R, but with some concerns:
  - Changing structure won't change behavior – but could assist with linkage to 315R
  - 240 should not repeat all of 315R, linkage should be targeted instead of duplicative
  - Some commented that fraud risk assessment guidance should be in 315R and not in 240 – but TF will not pursue combining with 315R
- Distinguish “sources of info” in 240 between “other information” in 720
- Keep scalability in mind
- Incorporate “ecosystem” by obtaining management’s fraud risk assessment as a starting point for auditor’s risk assessment

### Communication with Those Charged With Governance

- Majority supported a new requirement to supplement the 260 requirement regarding the timing of communication (rather than as application material)
- Emphasize two-way discussion, where those charged with governance comes prepared to talk about the entity’s fraud risk assessment

### Transparency

- IAASB supported undertaking targeted outreach to users of general-purpose financial reports

### Non-Authoritative Guidance:

- IAASB supported nonauthoritative guidance with comments (define what is meant by fraud lens, make it clear there is more guidance to come) – issue by end of April

### Questions for ASB Consideration

**1. Does the ASB have any comments about the direction the IAASB may take related to the topics covered in March:**

- Identifying and assessing risks
- Communication with those charged with governance
- Transparency in the auditor's report
- Nonauthoritative guidance

June 2022 IAASB  
Topics of Discussion

### The following topics will be discussed at the June 2022 IAASB meeting:

- Reorganize introductory paragraphs of ISA 240
- Definition of fraud
- Journal entry requirements
- Specialized skills
- Presumed fraud risk (revenue recognition)

### Introductory Paragraphs in ISA 240 – Emphasis on the Auditor’s Responsibilities

*Enhance and clarify the introductory paragraphs in ISA 240 to emphasize the auditor’s responsibilities regarding fraud, including:*

- Considering changes and enhancements made by others in different jurisdictions in their equivalent of ISA 240 to reduce the ambiguity between the inherent limitations of an audit and the auditor’s responsibilities for fraud in an audit of financial statements.
- Considering whether to provide context for the auditor’s responsibilities by explaining the responsibilities of others in the financial reporting ecosystem (relevant to the financial statement audit) within the introductory paragraphs.
- Considering whether the auditor’s responsibilities should be placed prior to the description of inherent limitations of an audit

### Application Material – Definition of Fraud

Enhance application material to clarify how concepts such as bribery and corruption, and money laundering, relate to the definition of fraud for purposes of an audit of financial statements, including consideration of the most appropriate standard for this application material (i.e., ISA 240 or ISA 250 (Revised)).

### Requirements and Application Material – Journal Entries

*Clarify the requirements and application material in ISA 240 on the approach to testing journal entries, including:*

- Considering enhancing requirements in ISA 240 to:
  - o Clarify that the auditor's risk assessment procedures performed as part of ISA 315 (Revised 2019) for controls over journal entries are also relevant to the auditor's decisions on journal entry testing in ISA 240.
  - o Take account of the impact of technology when testing journal entries.
  - o Address the extent of testing of journal entries to respond to identified risks.
- Enhancing application material to:
  - o Clarify what the auditor's objectives are when testing journal entries, and explain how auditors may determine the nature, timing and extent of the auditor's procedures for journal entry testing.
  - o Consider the impact of any proposed changes being made to ISA 500 (e.g., obtaining audit evidence about the completeness of the information used to test journal entries).

### **Requirements** and Application Material – Specialized Skills

*Consider enhancing requirements and application material in ISA 240 on the need for specialized skills (including forensic skills):*

- Consider a new requirement and enhanced application material for those **circumstances when it is appropriate for the auditor to “consider the need for specialized skills, including forensic skills”** to assist with audit procedures, such as:
  - When performing risk identification and assessment. In doing so, consider how this links to the revised requirements in ISA 220 (Revised) for adequate resources for the engagement.
  - When there is identified or suspected fraud.
- Consider how scalability of a new requirement can be achieved by taking into the account the nature and circumstances of auditors to have access to such specialized skills, in particular, auditors of less complex entities (LCEs).
- Consider how to describe “forensic skills,” in light of comments that this term is not commonly understood (i.e., clarify what may qualify as forensic skills).
- Consider changes made by others in different jurisdictions relating to the use of specialized skills

### Requirements and Application Material – Presumption of Fraud Risk in Revenue Recognition

*Revise requirements and enhance application material in ISA 240 to clarify how performing a robust risk assessment is critical in determining whether or not the presumption of fraud risk in revenue recognition is applicable, including:*

- Revising the requirement in ISA 240 to shift the focus from the auditor developing a rebuttal to emphasizing the importance of performing robust risk identification and assessment.
- Enhancing the application material in ISA 240 to:
  - o Highlight other account balances that may be particularly susceptible to material misstatement due to fraud (such as goodwill).
  - o Clarify when it is inappropriate to rebut the presumption of risks of fraud in revenue recognition (shifting away from clarifying when it may be appropriate to rebut the presumption of risk of fraud in revenue recognition).
  - o Describe public sector considerations

### Questions for ASB Consideration

- 1. Does the ASB have any comments about the possible actions the IAASB may take related to the topics to be covered in June:**
  - Reorganize introductory paragraphs of ISA 240
  - Definition of fraud
  - Journal entry requirements
  - Specialized skills
  - Presumed fraud risk (revenue recognition)

# Appendix: Summary of Project Proposal

# Key Issues Identified During Research Phase

## Key Issues Identified that Will be Addressed by the Project on Fraud

### a) Role and responsibilities of the auditor on fraud in an audit of financial statements:

- i. The introductory paragraphs in ISA 240 explaining the inherent limitations of an audit can be misleading and result in misunderstanding of the auditor's obligations.
- ii. A need has been expressed to clarify & emphasize the auditor's responsibilities regarding fraud in an audit of f/s.
- iii. There are terms and concepts associated with fraud, such as bribery, corruption, and money laundering, that are not directly addressed in the definition of fraud, and it has been noted that it is therefore unclear whether the auditor's procedures extend to include work related to such terms and concepts.
- iv. Calls for the auditor undertaking more forensic type procedures, or the need for forensic specialists on all, or some, audits have been made due to the increasing use of forensic procedures on audits, including by forensic specialists.

### b) Identifying and assessing risks of material misstatement due to fraud:

- i. The auditor's risk identification and assessment process as it relates to fraud should be more robust (many aspects of the enhanced risk identification and assessment procedures in ISA 315R have not been reflected in ISA 240).
- ii. The engagement team discussion is not sufficiently robust with respect to the auditor's considerations of fraud throughout the audit.

**\*\*Proposed Actions for RISK ASSESSMENT discussed in March 2022\*\***

## Key Issues Identified that Will be Addressed by the Project on Fraud

### (c) Responses to the assessed risks of material misstatement due to fraud:

- i. The auditor's responses to the assessed risks of material misstatement due to fraud should be more robust.
- ii. The auditor is inappropriately relying on written representations provided by management addressing fraud in the entity (i.e., clarity is needed that written representations do not relieve the auditor of the responsibility to appropriately respond to the assessed risks of material misstatement due to fraud)

### (d) Use of technology:

- (i) ISA 240 needs to consider the impact of the entity's ability to use technology to enable fraudulent activity on the auditor's procedures.
- (ii) ISA 240 needs to be modernized for the auditor's considerations about how new and evolving technologies, and current practice, impacts the auditor's procedures when considering fraud.

### (e) Relationship between and linkage of ISA 240 with respect to ISA 250 (Revised)<sup>10</sup> and the other ISAs:

- (i) The relationship between ISA 240 and ISA 250 (Revised) is unclear, i.e., more clarity is needed if a fraud is identified or suspected, whether the auditor is performing procedures to comply with ISA 240 or ISA 250 (Revised).
- (ii) The relationship between ISA 240 and other ISAs (e.g., standards addressing quality management, written representations, and external confirmations) should be clarified to promote an integrated risk-based approach with respect to fraud.

## Key Issues Identified that Will be Addressed by the Project on Fraud

### (f) Specific fraud-related audit procedures:

- (i) Journal entries – uncertainty about how to select which JEs to test that has resulted in inconsistent application.
- (ii) Presumption of fraud risk in revenue recognition – it is not clear when it may, or may not, be appropriate to rebut the presumption of fraud risk in revenue recognition, which has resulted in inconsistent application.
- (iii) Presumption of fraud risk in other account balances – stakeholders have questioned whether the presumption of fraud risk should be extended to include other account balances, such as goodwill.
- (iv) Analytical procedures – analytical procedures at the planning and completion stages of the audit are not robust enough to support the auditor’s consideration of the risk of fraud and the planned audit response (nature, timing, extent of audit procedures).
- (v) Fraud is identified or suspected – lack of clarity around the auditor’s response in such circumstances.
- (vi) Unpredictability of audit procedures – unclear as to the required actions or types of fraud-related procedures to be undertaken by the auditor.
- (vii) Non-material fraud – clarity is needed with respect to the auditor’s responsibilities and whether more should be done when a possible non-material fraud is identified or suspected.
- (viii) Third party fraud – clarity is needed around the auditor’s actions with respect to third party fraud.
- (ix) Audit documentation – clarity is needed on what needs to be documented for fraud when identifying and assessing the risk of material misstatement, performing audit procedures and concluding.
- (x) External confirmations – clarity is needed as to whether the external confirmation process, as relevant to the auditor’s considerations on fraud, should be more robust.

## Key Issues Identified that Will be Addressed by the Project on Fraud

### (g) Professional skepticism:

- (i) The appropriate exercise of professional skepticism needs to be reinforced, including reminding the auditor of the importance of remaining alert to conditions that may indicate possible fraud and maintaining professional skepticism throughout the audit.

### (h) Transparency on the auditor's fraud-related procedures:

- (i) The required communications with TCWG on fraud considerations may not be sufficiently robust in the current environment, including that such communications relating to fraud matters are not presently explicitly required throughout the audit.
- (ii) (ii) The auditor's report may not be transparent enough about the auditor's fraud-related responsibilities and procedures

**\*\*Proposed Actions for TRANSPARENCY discussed in March 2022\*\***

Proposed Actions to Address  
Key Issues Identified

ROLES & RESPONSIBILITIES OF  
THE AUDITOR

## Proposed Actions to Address the Key Issues Identified

### Introductory Paragraphs in ISA 240 – Emphasis on the Auditor’s Responsibilities

*Enhance and clarify the introductory paragraphs in ISA 240 to emphasize the auditor’s responsibilities regarding fraud, including:*

- Considering changes and enhancements made by others in different jurisdictions in their equivalent of ISA 240 to reduce the ambiguity between the inherent limitations of an audit and the auditor’s responsibilities for fraud in an audit of financial statements.
- Considering whether to provide context for the auditor’s responsibilities by explaining the responsibilities of others in the financial reporting ecosystem (relevant to the financial statement audit) within the introductory paragraphs.
- Considering whether the auditor’s responsibilities should be placed prior to the description of inherent limitations of an audit

### Application Material – Definition of Fraud

Enhance application material to clarify how concepts such as bribery and corruption, and money laundering, relate to the definition of fraud for purposes of an audit of financial statements, including consideration of the most appropriate standard for this application material (i.e., ISA 240 or ISA 250 (Revised)).

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Specialized Skills

*Consider enhancing requirements and application material in ISA 240 on the need for specialized skills (including forensic skills):*

- Consider a new requirement and enhanced application material for those **circumstances when it is appropriate for the auditor to “consider the need for specialized skills, including forensic skills”** to assist with audit procedures, such as:
  - When performing risk identification and assessment. In doing so, consider how this links to the revised requirements in ISA 220 (Revised) for adequate resources for the engagement.
  - When there is identified or suspected fraud.
- Consider how scalability of a new requirement can be achieved by taking into the account the nature and circumstances of auditors to have access to such specialized skills, in particular, auditors of less complex entities (LCEs).
- Consider how to describe “forensic skills,” in light of comments that this term is not commonly understood (i.e., clarify what may qualify as forensic skills).
- Consider changes made by others in different jurisdictions relating to the use of specialized skills

# Proposed Actions to Address Key Issues Identified

## RISK ASSESSMENT

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Identifying and Assessing Risks of Material

*Enhance and clarify requirements and application material in ISA 240 to incorporate recent changes in ISA 315R to make fraud risk identification and assessment more robust, including:*

- Developing explicit fraud considerations in risk assessment procedures.
- Clarifying that risk assessment procedures in ISA 240 are not separate from those in ISA 315R.
- Enhancing the requirements to consider information obtained from acceptance and continuance when obtaining an understanding of the entity and its environment, etc.
- Describing the auditor's specific considerations relating to fraud when obtaining an understanding of the entity and its environment, the applicable FRF and the entity's system of i/c in accordance with ISA 315R, with an emphasis on
  - o The entity's corporate culture.
  - o Entity's key performance indicators (KPIs).
  - o Employee performance measures and incentive compensation policies.
  - o The entity's risk assessment process.
  - o Specific control activities to prevent and detect fraud.
  - o Other information, e.g., matters the auditor is aware of based on the performance of procedures in accordance with ISA 720R or the auditor's knowledge obtained throughout the audit
- Updating the fraud risk factors currently included in the Appendix to ISA 240 and considering whether the fraud risk factors should rather form part of the application material.
- Emphasizing in ISA 240 how fraud risk factors influence the identified risks of material misstatement due to fraud at the assertion level, and therefore in designing a more precise response to such a fraud risk.
- Considering examples in ISA 240 to illustrate the scalability of the requirements, for example by providing examples that are more relevant to LCEs.

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Engagement Team Discussion

Enhance requirements and application material in ISA 240 to make the engagement team discussion on fraud considerations more robust, including:

- Enhancing requirements to require specific topics to be included during the engagement team discussion.
- Enhancing application material in ISA 240 to explain when it may be beneficial to hold further engagement team discussion(s).
- Enhancing application material in ISA 240 for when it may be beneficial for specialists (including internal or external fraud specialists) to attend engagement team discussion(s)

### Requirements and Application Material – Responses to the Assessed Risks of Material Misstatement

Enhance the requirements and application material in ISA 240 to strengthen the auditor's responses to assessed risks of material misstatement due to fraud, as necessary in light of the proposed actions addressing fraud risk identification and assessment and other fraud-related procedures, including:

- Considering a stand-back requirement in ISA 240 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.
- Enhancing application material in ISA 240 to encourage emphasis on management bias when considering the appropriateness of accounting estimates from a fraud perspective as well as improving the link to the procedures required in ISA 540R.

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Written Representations from Management

Consider enhancing and clarifying the requirements and application material for written representations from management

### Application Material – Technology Considerations

Enhance application material in ISA 240 to reflect and describe the use of technology to:

- Enable fraudulent activity (including cybercrime).
- Perform fraud-related procedures by auditors. In doing so, remaining mindful of maintaining a balance of not ‘dating’ the standard by referring to technologies that may change and evolve, and consulting with a technology expert(s) as needed

### Introductory Paragraphs and Application Material in ISA 240 – Relationship Between ISA 240 and ISA 250 (Revised), and Other ISAs

*Enhance the introductory paragraphs and consider application material in ISA 240 to clarify the relationship between ISA 240 and ISA 250 (Revised), including:*

- Highlighting the interrelationship between fraud and non-compliance with laws and regulations (i.e., fraud usually constitutes an illegal act and therefore, also falls under ISA 250 (Revised)).

*Enhance, within the standards, the linkages between ISA 240 and the other ISAs with cross-referencing as appropriate.*

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Journal Entries

*Clarify the requirements and application material in ISA 240 on the approach to testing journal entries, including:*

- Considering enhancing requirements in ISA 240 to:
  - o Clarify that the auditor's risk assessment procedures performed as part of ISA 315 (Revised 2019) for controls over journal entries are also relevant to the auditor's decisions on journal entry testing in ISA 240.
  - o Take account of the impact of technology when testing journal entries.
  - o Address the extent of testing of journal entries to respond to identified risks.
- Enhancing application material to:
  - o Clarify what the auditor's objectives are when testing journal entries, and explain how auditors may determine the nature, timing and extent of the auditor's procedures for journal entry testing.
  - o Consider the impact of any proposed changes being made to ISA 50018 (e.g., obtaining audit evidence about the completeness of the information used to test journal entries).

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Presumption of Fraud Risk in Revenue Recognition

*Revise requirements and enhance application material in ISA 240 to clarify how performing a robust risk assessment is critical in determining whether or not the presumption of fraud risk in revenue recognition is applicable, including:*

- Revising the requirement in ISA 240 to shift the focus from the auditor developing a rebuttal to emphasizing the importance of performing robust risk identification and assessment.
- Enhancing the application material in ISA 240 to:
  - o Highlight other account balances that may be particularly susceptible to material misstatement due to fraud (such as goodwill).
  - o Clarify when it is inappropriate to rebut the presumption of risks of fraud in revenue recognition (shifting away from clarifying when it may be appropriate to rebut the presumption of risk of fraud in revenue recognition).
  - o Describe public sector considerations

### Application Material – Analytical Procedures

*Consider enhancing and clarifying the application material in ISA 240 to emphasize the link to ISA 315 (Revised 2019) and ISA 52019 with respect to analytical procedures at the planning and completion stages of the audit and how such procedures can be effectively used to consider the possibility of fraud.*

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Fraud Is Identified or Suspected

*Designate a separate section in ISA 240 for required audit procedures when fraud is identified or suspected, including:*

- Developing new requirements, relocating existing requirements, or elevating existing application material to requirements.
- Enhancing application material as needed.

### Application Material – Unpredictability of Audit Procedures

*Enhance or clarify application material in ISA 240 on how to design unpredictable audit procedures, including providing examples of the types of procedures that can be used by the auditor, and how such procedures can be scalable.*

### Introductory Paragraphs and Application Material in ISA 240 – Non-Material Fraud

*Enhance the introductory paragraphs and consider application material in ISA 240 to describe the auditor's responsibilities when non-material fraud is identified or suspected (e.g., that more work is required to conclude that it is a non-material fraud, taking into account the quantitative and qualitative characteristics of a possible misstatement).*

### Application Material – Third Party Fraud

*Enhance application material in ISA 240 to determine the auditor's actions when third party fraud is identified or suspected that may give rise to risks of material misstatement due to fraud.*

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Audit Documentation

*Consider the need to enhance or expand the specific documentation requirements in ISA 240, and application material, as appropriate, once the other changes within the standard have been developed (as such changes may necessitate new or revised specific documentation requirements and guidance).*

### Application Material – External Confirmations

*Consider enhancing application material in ISA 240 related to fraud considerations for external confirmation procedures (e.g., when considering third party fraud), including:*

- Modernizing ISA 240 for current practice and developments in technology, including technology used in practice for external confirmations.
- Considering the impacts of revisions to ISA 500 on ISA 240 with respect to audit evidence obtained from the external confirmation process.
- Revising the existing guidance when there are non-responses.
- Emphasizing the usefulness of external confirmations as an audit procedure when there is a heightened risk of fraud.

### Introductory Paragraphs and Application Material in ISA 240 – Non-Material Fraud

*Enhance the introductory paragraphs and consider application material in ISA 240 to describe the auditor's responsibilities when non-material fraud is identified or suspected (e.g., that more work is required to conclude that it is a non-material fraud, taking into account the quantitative and qualitative characteristics of a possible misstatement).*

# Proposed Actions to Address Key Issues Identified

## Professional Skepticism

## Proposed Actions to Address the Key Issues Identified

### Requirements and Application Material – Professional Skepticism

*Enhance requirements and application material in ISA 240 to reinforce more robust exercise of professional skepticism when performing procedures related to fraud, including:*

- Enhancing requirements and application material in ISA 240 for the auditor to design and perform procedures that is not biased towards obtaining audit evidence that may be corroborative or towards excluding evidence that may be contradictory.
- Explaining the 'ramp up' of procedures when fraud is identified or suspected in the application material.

Proposed Actions to Address  
Key Issues Identified

TRANSPARENCY

## Proposed Actions to Address the Key Issues Identified

### **Requirements** & Application Material – Transparency in the Required Communications with TCWG & in the Auditor's Report

- *Enhance requirements and application material in ISA 240 to strengthen required communications with TCWG, including:*
  - o Enhancing the requirements in ISA 240 for specific discussions with TCWG about the entity's risks of material misstatement due to fraud and to encourage more appropriate two-way communication. Enhancements could include, for example, explicit discussions about:
    - Susceptibilities to misstatement due to management bias, and corroborating inquiries of management with TCWG.
    - The auditor's evaluation of the entity's components of internal control (when performing risk assessment procedures in accordance with ISA 315R).
  - o Enhancing the requirements in ISA 240 for the auditor to assess whether the remediation measures taken by management and TCWG for identified or suspected fraud are appropriate
  - o Enhancing the requirements in ISA 240 to emphasize the ongoing nature of communications with TCWG about fraud throughout the audit.
  - o Clarifying in the application material of ISA 240 that effective participation by TCWG is influenced by their independence from management and their ability to objectively evaluate the actions of management.
- *Explore revisions to requirements and enhancements to application material to determine the need for more transparency in the auditor's report describing fraud-related matters, and if needed, how this may be done, including:*
  - o Exploring what changes may be needed to better describe the auditor's responsibilities and procedures related to fraud in an audit of financial statements, including:
    - Additional outreach with investor groups as well as other relevant stakeholders about the need for more transparency in the auditor's report, and how this can be done.
    - Consideration of changes made by others in different jurisdictions.
  - o Considering revisions to clarify the interaction of key audit matters and fraud-related matters