



IAASA

Irish Auditing & Accounting
Supervisory Authority

Revised October 2021

ISA (IRELAND) 240

THE AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS

Overview of amendments to ISA (Ireland) 240

Objectives

- * Clarification of the objectives of the auditor to emphasis that the objectives include obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud

Overview of amendments to ISA (Ireland) 240

Characteristics of fraud

- * Clarification that judgements about whether an identified misstatement due to fraud or suspected fraud is material take into account the qualitative as well as quantitative characteristics
- * Clarifying that while the risk of not detecting a material misstatement resulting from fraud may be higher than the risk of not detecting one resulting from error, that does not diminish the auditor's responsibility to plan and perform the audit to obtain reasonable assurance

Overview of amendments to ISA (Ireland) 240

Professional skepticism

- * The auditor shall undertake risk assessment procedures and design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory
- * Emphasising the importance of remaining alert for conditions that indicate a record or document may not be authentic. New paragraph A9-1 in the application material provides examples of such conditions
- * In addition to investigating inconsistent responses to inquiries, the auditor shall also investigate responses that appear implausible

Overview of amendments to ISA (Ireland) 240

Communications to management and with those charged with governance

- * In communicating matters related to fraud, the auditor shall consider the matters to communicate regarding management's process for identifying and responding to the risks of fraud and the auditor's assessment of the risks of material misstatement due to fraud

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The auditor's report

- * Emphasises that, as required by paragraph 29-1 of ISA (Ireland) 700 (Revised November 2020), Forming an Opinion and Reporting on Financial Statements, the auditor's report for audits of public interest entities and listed entities shall explain to what extent the audit was considered capable of detecting irregularities, including fraud. This explanation shall be specific to the circumstances of the audited entity and take account of how the auditor planned and performed procedures

Documentation

- * As required by ISA (Ireland) 230 (Updated December 2018), Audit Documentation, if the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency.

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Responses to assessed risks of material misstatement due to fraud

- * In performing the stand-back and overall evaluation of the sufficiency and appropriateness of audit evidence, the auditor evaluates whether:
 - The assessments of the risks of material misstatement at the assertion level due to fraud remain appropriate; and
 - Sufficient appropriate audit evidence has been obtained regarding the assessed risks of material misstatement due to fraud

The auditor concludes whether the FS are materially misstated due to fraud

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Discussion among the engagement team

- * 4 new paragraphs 15-1 to 15-4 and corresponding amendments to A11 and A11-1
- * Specifies particular matters to be included in engagement team discussions, including how management could perpetrate and conceal fraudulent financial reporting; how assets could be misappropriated; susceptibility of a significant component in a group to material misstatement due to fraud
- * If allegations of fraud come to the auditor's attention, the discussion shall include how to investigate and respond to those allegations. Further examples of matters that may be discussed have been added to paragraph A11.
- * The engagement partner shall determine whether further engagement team discussion is held at later stages to consider fraud risk factors identified and the implications. Paragraph A11-1 has examples of such circumstances

Overview of amendments to ISA (Ireland) 240

Risk assessment procedures and related activities (1)

- * Clarification that the risk assessment procedures and related activities required by ISA (Ireland) 315 (Revised October 2020) shall include obtaining an understanding of the fraud risk factors relevant to the entity
- * The auditor shall make inquiries of management, or others within the entity, who deal with allegations of fraud raised by employees or other parties
- * The auditor shall discuss with those charged with governance the risks of material fraud in the entity, including those specific to the entity's business sector. Related application material has been inserted (para A20-1)
- * If responses of those charged with governance or others are inconsistent with responses of management, the auditor determines the implications for the audit in accordance with ISA (Ireland) 500, Audit Evidence

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Risk assessment procedures and related activities (2)

- * The auditor shall determine whether the engagement team requires specialised skills or knowledge to perform particular procedures
- * If the auditor identifies a misstatement due to fraud or suspected fraud, the auditor shall determine whether specialised skills or knowledge are needed to investigate further for the purposes of the audit. Paragraphs A27-1 and A48-1 provide examples of matters that may affect the auditor's determination

EFFECTIVE DATE

- For audits of financial statements for periods commencing on or after 15 December 2021
- Early adoption is permitted



Find the feedback paper and revised ISA on our website (iaasa.ie)

[http://www.iaasa.ie/Publications/Auditing-standards/Standards-Guidance-for-Auditors-in-Ireland/International-Standards-on-Auditing-\(Ireland\)](http://www.iaasa.ie/Publications/Auditing-standards/Standards-Guidance-for-Auditors-in-Ireland/International-Standards-on-Auditing-(Ireland))

This slide deck has provided an overview of the main amendments only. For a full understanding of all amendments to ISA (Ireland) 240 please consult the revised ISA.

2021

INTERNATIONAL STANDARD ON
AUDITING (IRELAND) 240
(Revised October 2021)

The Auditor's Responsibilities Relating
to Fraud in an Audit of Financial
Statements