

QUESTIONS FOR RESPONDENTS

1. In regard to the expectation gap (see Section I):
 - (a) What do you think is the main cause of the expectation gap relating to fraud and going concern in an audit of financial statements?

BCT: For knowledge gap, the general public and financial users over-expect what auditors actually do during the audit. For evolution gap, the auditing standard cannot catch up with the rapid change of the financial markets and technological advancement as it takes time to discuss and enact the relevant new rules and standards.

- (b) In your view, what could be done, by the IAASB and / or others (please specify), to narrow the expectation gap related to fraud and going concern in an audit of financial statements?

BCT: IAASB can work with local auditing and accounting bodies to educate the general public and promote the function of an audit on fraud and going concern matters, and collect the comments and opinions from stakeholders in order to narrow the expectation gap, e.g. by hosting discussion forum.

2. This paper sets out the auditor's current requirements in relation to fraud in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this (see Sections II and IV). In your view:
 - (a) Should the auditor have enhanced or more requirements with regard to fraud in an audit of financial statements? If yes, in what areas?

BCT: The current requirement is considered generally sufficient.

- (b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:
 - (i) For what types of entities or in what circumstances?

BCT: In the circumstances where a suspicion of significant fraud as assessed by management has been identified.

- (ii) What enhancements are needed?

BCT: Engage forensic experts for fraud-related audit procedures.

- (iii) Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

BCT: They are outside the scope of an audit. Fraud may not necessarily bring material impact to an entity's financial statements. For example, the financial impact of reputational risk due to fraud could be hard to quantify and express meaningfully in the auditor's report.

- (c) Would requiring a “suspicious mindset” contribute to enhanced fraud identification when planning and performing the audit? Why or why not?
- (i) Should the IAASB enhance the auditor’s considerations around fraud to include a “suspicious mindset”? If yes, for all audits or only in some circumstances?

BCT: No. The current requirements in the auditing standards related to professional skepticism should be sufficient. However, the IAASB can consider to issue more papers and share examples of fraud cases to enhance the knowledge and awareness of the audit professionals.

- (d) Do you believe more transparency is needed about the auditor’s work in relation to fraud in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g. in communications with those charged with governance, in the auditor’s report, etc.)?

BCT: More information about the auditor's approach and necessary evidence obtained to assure an entity's fraud risk can be included in the auditor's report so that the financial report user can access the report along with the financial statements' assurance.

3. This paper sets out the auditor’s current requirements in relation to going concern in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this (See Section III and IV). In your view:

- (a) Should the auditor have enhanced or more requirements with regard to going concern in an audit of financial statements? If yes, in what areas?

Comment: No comment. The current requirements can be considered sufficient.

- (b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:

BCT: No comment. The current requirements can be considered sufficient.

- (i) For what types of entities or in what circumstances?

BCT: Not applicable.

- (ii) What enhancements are needed?

BCT: Not applicable.

- (iii) Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

BCT: Not applicable.

- (c) Do you believe more transparency is needed:

- (i) About the auditor's work in relation to going concern in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g., in communications with those charged with governance, in the auditor's report, etc.)?

BCT: More information about the auditor's approach and necessary evidence obtained to assume an entity's going concern can be included in the auditor's report so that the financial report user can access the report along with the financial statements' assurance.

- (ii) About going concern, outside of the auditor's work relating to going

concern? If yes, what further information should be provided, where should this information be provided, and what action is required to put this into effect?

BCT: The basis and ground of going concern as assessed by an entity's management could be provided along with the financial statements as other information. An auditor should assess its reasonableness such that management's assessment is not unrealistic from a financial perspective.

4. Are there any other matters the IAASB should consider as it progresses its work on fraud and going concern in an audit of financial statements?

BCT: Nil