AUDITOR'S DUTIES IN SA 240

General

- Obtain reasonable assurance that f. statements are free from frauds
- But he can't detect all misstatements
- Risk of non detection of fraud is high (Concealment)
- Maintain professional skepticism
- Discuss within team (doubt of fraud)
- Obtain WR w.r.t. their
  - Responsibility,
  - Assessment of risk
  - Doubt of fraud

RAP & responses

1. Enquire

Mgt.
- Assessment
- Procedure to identify fraud
- Communication to TCWG & Employee.

TCWG
- Supervision by them
- Their Knowledge of fraud

2. If ARP indicates unusual relationship, then perform Extended Procedures.
3. Assess risk at:
   - Assertion level
   - financial statement level
4. Response to Risk:
   - Overall
   - Assertion level
   - Significant Risk

Evaluation of Evidence

- If he finds misstatement, consider whether it is fraud.
- If it is fraud, then
  - Consider reliability of WR
    &
  - Revise the Risk

Communicant & Documentation

- If fraud or indicators of fraud then
  ↓
  Communicate at appropriate level on timely basis
  +
  TCWG, if relevant
- Documentation
  - SA 315, 330
  - His Communication
  - Significance of fraud

Unable to continue

If many material frauds found, then consider whether to continue

- Yes → A.R
- No → Discuss with TCWG → Withdraw → Communicate Reason to
  - Appointing Authority
  - Regulatory Authority
  - Incoming auditor