

September 23, 2025

Ms. Halie Creps, Chair
Auditing Standards Board
AICPA
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Re : Proposed Statement on Auditing Standards – ***The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements***

Via email: commentletters@aicpa-cima.com

Dear Ms. Creps:

This letter represents only the views of the Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) regarding the AICPA’s Proposed Statement on Auditing Standards, ***The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements***. The Committee is a technical committee of the FICPA and is comprised of twenty-five members from local or regional firms, large multi-office firms, sole practitioners, international firms, academia, and industry. The FICPA has more than 18,500 members, with its membership comprised primarily of CPAs in public practice, government, and industry. The Committee has the following comments related to the exposure draft as noted below.

Overall Comment

The Committee believes the amendments in the proposed SAS are reinforcing specific aspects of the existing fraud standard as it relates to professional skepticism, evidence evaluation, and risk assessment procedures.

Question 1

Do respondents believe that if the final standard is issued no later than October 1, 2026, the proposed effective date for audits of financial statements for periods ending on or after December 15, 2028, is appropriate and provides adequate time for implementation? If not, respondents are asked to state their reasons and suggest an alternate effective date.

Yes, the Committee agreed with the proposed effective date for audits of financial statements for periods ending on or after December 15, 2028. There is enough time for implementation. However, some members believe the lead time could be shorter.

Question 2

Do respondents agree that the proposed SAS clearly sets out the auditor’s responsibilities relating to fraud in an audit of financial statements, including fraud that may not result in a material misstatement to the financial statements? Respondents are asked to state their reasons.

Yes, the Committee agreed with the clarity of the proposed fraud standard amendments. Certain members believe that if a firm already has a strong audit quality system in place, not much will be changed when the proposed SAS becomes effective. Others believe that, with the emphasis of fraud risk assessment throughout the audit, the change is significant because it is a shift in tone and performance expectation.

Question 3

Do respondents agree that the proposed SAS clearly sets out the key concepts and relationship with other AU-C sections in paragraphs 4–15? Respondents are asked to state their reasons.

Yes, The Committee believed the draft goes beyond the current standard’s general reminder to “maintain professional skepticism.” During the Committee’s discussion, it reviewed Supplement No.3 of the Fraud ED, which establishes the interrelationships between some sections of our current auditing standards and the proposed SAS.

Question 4

Do respondents agree that the terms “fraud,” “suspected fraud,” or “fraud or suspected fraud” are used appropriately throughout the proposed SAS? Respondents are asked to state their reasons.

The Committee agreed with the use of the terms “fraud,” “suspected fraud,” “fraud or suspected fraud.” It all depends on the context.

Question 5

Do respondents agree that the proposed SAS adequately explains the relationship between the proposed SAS and AU-C section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*? Respondents are asked to state their reasons.

The Committee believed the proposed SAS adequately explains the relationship. Although the auditor may suspect or identify the occurrence of fraud, the auditor does not make legal determinations of whether fraud has occurred. Some members of the Committee thought that expansion of the auditor’s responsibilities regarding fraud opens the door to potential legal liabilities. But other members argue that for purposes of GAAS, the auditor is primarily concerned with fraud that causes a material misstatement in the financial statements.

Question 6

Do respondents agree that the requirements and application material in the proposed SAS are sufficiently scalable; that is, is the proposed SAS capable of being applied to the audits of entities with a wide range of sizes, complexities, and circumstances? Respondents are asked to state their reasons.

Yes, the Committee believed the requirements and application material in the proposed SAS are scalable. The proposed SAS provides explicit scalability illustrations on tailoring procedures for smaller/non-complex entities while maintaining core requirements. They can be applied based on the complexity and size of clients because the audit procedures are up to the auditor’s judgment.

Question 7

Do respondents agree that the proposed SAS has appropriate linkages to other AU-C sections (for example, AU-C section 200, AU-C section 220, AU-C section 315, AU-C section 330, AU-C section 500, AU-C section 520, and AU-C section 540)? Respondents are asked to state their reasons.

The Committee believed the proposed SAS has appropriate linkages to other AU-C sections and the supplements are very useful. The exposure draft comes with a reiterative fraud risk assessment process, which integrates fraud risk assessment throughout the audit. It clearly expands on how AU-C 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, and other AU-C sections, such as Sections 200, 220, 330, 520 and 540 are to be applied with a fraud lens. Please consider making the Supplements available or as appendix to the proposed SAS.

Question 8

Do respondents agree that the proposed SAS appropriately reinforces maintaining professional skepticism about matters relating to fraud in an audit of financial statements? Respondents are asked to state their reasons.

Yes, the Committee agreed that the proposed SAS appropriately reinforces the maintenance of our professional skepticism about matters related to fraud in an audit of financial statements. Longevity of the client relationship has impacted our professional skepticism. The proposed SAS has introduced useful application material that can help us out.

Question 9

Do respondents agree that the proposed SAS appropriately builds on the foundational requirements in AU-C section 315 and other AU-C sections to enhance the auditor's risk identification and assessment as it relates to fraud? Respondents are asked to state their reasons.

The Committee felt that this proposed amendment appropriately builds on the foundational requirements relating to an audit of financial statements in AU-C section 315 and other AU-C sections. It reemphasizes what was intended all along and expands on how to perform the audit procedures required by these sections with a fraud lens. The Committee appreciates the engagement resources provided by the proposed SAS.

Question 10

Do respondents agree that the risks of material misstatement due to fraud related to management override of controls should be treated as a risk of material misstatement due to fraud at the financial statement level? Respondents are asked to state their reasons.

Yes, the Committee agrees with the proposed change to make management override of control a risk of material misstatement at the financial statement level. This reframes management override as systemic because it is applicable to all areas of the financial statements..

Question 11

Do respondents agree that the proposed SAS appropriately addresses the risks of material misstatement due to fraud in revenue recognition? Respondents are asked to state their reasons.

The Committee believed the proposed SAS appropriately addresses the risks of material misstatement due to fraud in revenue recognition. This tightens the proposed standard in a considerable fashion.

Question 12

Do respondents agree that the proposed SAS appropriately establishes proper work effort requirements and application material to address circumstances when instances of fraud or suspected fraud are identified in the audit? Respondents are asked to state their reasons.

The Committee agreed with the work effort requirements and thinks they are doable. The Committee does not think the requirements are burdensome.

Question 13

Do respondents agree that the proposed SAS should include a stand-back provision as included in paragraph 59 and, if so, where it is placed? Respondents are asked to state their reasons.

The Committee agreed with the stand-back provision and where it is placed in the proposed SAS all the way down in paragraph 59. It makes sense for the auditor to consider all the audit evidence obtained before performing the stand-back procedure.

Question 14

Do respondents agree that the requirements for the auditor to communicate fraud or suspected fraud with those charged with governance are appropriate? Respondents are asked to state their reasons.

Yes, the Committee agreed with the requirements to communicate all fraud or suspected fraud with those charged with governance in all stages of the audit, in a timely manner. That allows for some ongoing dialogue among the parties.

Question 15

Do respondents agree that it is appropriate for the auditor to communicate with those charged with governance identified fraud or suspected fraud involving others, except for matters that are clearly inconsequential, rather than when fraud results in a material misstatement in the financial statements? Respondents are asked to state their reasons.

The Committee believed communication with governance regarding identified fraud or suspected fraud involving others should take place immediately, earlier rather than later. It depends on the auditor's judgment. Fraud or suspected fraud may not cause a material misstatement in the financial statements at this point, but if measures are not taken to stop the fraud momentum, it might worsen.

Question 16

Do respondents agree with the revisions to the documentation requirements in the proposed SAS? Respondents are asked to state their reasons.

The Committee agreed with the revisions to the documentation requirements in the proposed SAS. Some members think the requirement to document significant judgments, contradictory evidence, rationale for conclusions reached and override testing are not a major change. Some firms may have already been doing it.

Question 17

Do respondents agree that the required inquiries about matters related to fraud are appropriate? Respondents are asked to state their reasons.

Yes. The Committee agreed that the required inquiries about matters related to fraud are appropriate. They are rightfully part of understanding the entity's internal control system.

Question 18

Are there any other matters you would like to raise in relation to the proposed SAS? If so, clearly indicate the requirements, application material, appendix, or the theme or topic to which your comments relate.

The Committee did not have any other matters it would like to raise in relation to the proposed SAS.

The Committee supports the Auditing Standards Board's efforts to examine ways to maintain the integrity and reliability of financial statements and appreciates the opportunity to respond to the proposed statement. Members of the Committee are available to discuss any questions you may have regarding the responses in this letter.

Respectfully submitted,

Joel M. DiCicco, PhD, CPA
Chair, Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

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