

September 5, 2025

Attn: AICPA Auditing Standards Board (ASB)
commentletters@aicpa-cima.com

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

Dear AICPA ASB:

We appreciate the opportunity to provide feedback on the proposed Statement on Auditing Standards (SAS), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, dated July 2, 2025. If issued as final, the proposed SAS will supersede SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended, section 240, *Consideration of Fraud in a Financial Statement Audit* (AU-C Section 240), and amend various other SASs.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs.

The PSC generally supports the proposed SAS, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*. The PSC commends the ASB for retaining the fundamental concepts in extant auditing literature relating to the auditor’s responsibilities for fraud, including (i) the objectives of the auditor relating to fraud, (ii) the recognition that fraud may not be detected by the auditor even if the audit is properly planned and performed, (iii) the requirement to obtain reasonable assurance, and importantly, (iv) the auditor’s responsibilities relating to an entity’s compliance with laws and regulations.

The PSC agrees that, in many audits, the additional required procedures contained in the proposed standard relating to fraud, as well as the substantial additional application material, will enhance audit quality.

However, the proposal is expansive, containing many new and enhanced procedures, as well as lengthy application materials and appendices. The proposal is structured to include numerous cross-references back and forth with other standards. The PSC believes that the implementation of the proposed SAS will result in a significantly increased burden, especially on smaller practitioners that audit primarily small to medium-sized entities. Although the proposed SAS contains various references to scalability in the application material, the discussion of scalability in the main text of the proposed standard is not sufficient. Many small entities do not have “those charged with governance” beyond one or a few owners and do not have processes specific to identifying fraud-related control deficiencies or investigating matters relating to fraud. The PSC recommends that the ASB revise the standard to more fully discuss scalability considerations in the main text of the proposal, with a specific emphasis on recognizing the importance and appropriateness of auditor judgment when designing, implementing and documenting fraud-related procedures in audits of



smaller, less sophisticated entities. For example, many small audits will not require forensic or IT specialists.

If the Board decides to proceed with the implementation of this proposed SAS, the PSC would like to make the following additional observations:

- We recommend connecting all fraud-related procedures to each of the appropriate AU-C sections to enable complete transparency and easy navigation.
- We believe the extended risk assessment procedures described in Paragraph 28 and Part III of the proposed SAS, which includes a retrospective review of management judgements and assumptions related to accounting estimates reflected in the financial statements of the prior year and not just those of significant accounting estimates, to be burdensome and an overreach. The PSC believes cost benefit considerations should be applied in this regard.
- We notice the Board's effort to converge requirements when fraud or suspected fraud is identified with those for publicly traded companies under the Securities Exchange Act of 1934. The PSC would like to request additional guidance regarding the expected scope of work effort and resources for audits of private companies.

We appreciate the opportunity to submit comments on the proposed Statement on Auditing Standards (SAS), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, dated July 2, 2025.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey L. Johanns".

Jeffrey Johanns, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants