

## **Standard on Auditing (SA) 240**

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

Standard on Auditing (SA) 240 deals with auditor's responsibilities relating to fraud in an audit of financial statements. It elucidates how principles enunciated in SA 315 and SA 330 are to be applied in relation to risks of material misstatement due to fraud.

SA 240 covers:

- Professional Skepticism
- Discussion among the engagement team
- Risk assessment procedures and related activities
- Identification and assessment of the risks of material misstatement due to fraud
- Responses to assessed risks of material misstatement due to fraud
- Evaluation of audit evidence
- Auditor unable to continue the engagement
- Management representations
- Communications to management and with those charged with governance
- Communications to regulatory and enforcement authorities
- Documentation

SA 240 contains two distinct sections – Requirements section and Application Guidance section – as per the new presentation format adopted in writing the standards. This Standard on Auditing (SA) is effective for audits of financial statements for periods beginning on or after 1st April, 2009.

Issued in December, 2007.

Will be available shortly as a separate publication of the Institute.

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\* Earlier known as the Auditing and Assurance Standard (AAS) 4. "The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements".