

Explanatory Statement

ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report and AUASB 2025-6 Amendments to Australian Auditing Standards

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board website:
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Reasons for Issuing Auditing Standard ASA 240

The AUASB issues Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards* (ASA 240) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Auditing Standards ASA 240 and AUASB 2025-6 conform with ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB) and the IAASB's 'Conforming and Consequential Amendments Arising from ISA 240 (Revised 2025)'.

Purpose of Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*

The purpose of ASA 240 is to deal with the auditor's responsibilities relating to fraud in an audit of a financial report and the implications for the auditor's report. ASA 240 replaces the current ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* issued by the AUASB in October 2009 (as amended to 27 April 2022). AUASB 2025-6 *Amendments to Australian Auditing Standards* includes the conforming and consequential amendments to other Auditing Standards as a result of changes made in the revised ASA 240.

Main Features

ASA 240 contains minor changes from the ISA 240 (Revised 2025), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Operative Date

ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* is operative for financial reporting periods beginning on or after 15 December 2026.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing ASA 240, by exposing the IAASB's exposure draft of the proposed revised ISA 240 in Australia, along with an associated Australian Explanatory Memorandum. The exposure period was 90 days.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the revised ASA 240.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards* and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to these standards.

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunsetting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the International Auditing and Assurance Standards Board. The AUASB's Standards are exempt from sunsetting because a more stringent review process than sunsetting applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunsetting regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: **Auditing Standards ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The AUASB is established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 240

The purpose of ASA 240 is to deal with the auditor's responsibilities relating to fraud in an audit of a financial report and the implications for the auditor's report. ASA 240 replaces the current ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* issued by the AUASB in October 2009 (as amended to 27 April 2022). AUASB 2025-6 *Amendments to Australian Auditing Standards* includes the conforming and consequential amendments to other Auditing Standards as a result of changes made in the revised ASA 240.

Main Features

Auditing Standards ASA 240 and AUASB 2025-6 conform with ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (ISA 240 (Revised 2025)) issued by the International Auditing and Assurance Standards Board (IAASB) and the IAASB's 'Conforming and Consequential Amendments Arising from ISA 240 (Revised 2025)'.

ASA 240 contains minor changes from ISA 240 (Revised 2025), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Human Rights Implications

These Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.