

## CPA Canada handbook – assurance highlight summary no. 47 September 2025

### Glossary of Terms

The definition of “fraud risk factors” has been updated in the Glossary of Terms to align with the definition in Canadian Auditing Standard [\(CAS\) 240, The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements](#).

### CAS 240, The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

This CAS replaces existing [CAS 240. It incorporates changes to enhance and clarify the auditors’ responsibilities relating to fraud in an audit of financial statements.](#)

Revised [CAS 240](#):

- clarifies and emphasizes the auditor’s responsibilities by repositioning the auditor’s responsibilities earlier in the standard and decoupling the auditor’s responsibilities from the inherent limitations;
- enhances requirements to reinforce a more robust exercise of professional skepticism when performing procedures related to fraud;
- strengthens risk identification and assessment by adding a fraud lens to the requirements in foundational standards and restructuring [CAS 240 to follow a similar structure as CAS 315, Identifying and Assessing the Risks of Material Misstatement](#), to demonstrate the interrelatedness of the two standards;
- introduces a requirement to "stand back" to reconfirm that fraud-related risks of material misstatement have been appropriately identified, whether the risk assessments remain appropriate and whether sufficient appropriate audit evidence has been obtained;
- strengthens the communication requirements with those charged with governance by adding an overarching requirement to communicate matters related to fraud with management and those charged with governance at appropriate times throughout the audit engagement;
- introduces new ramp-up procedures when fraud or suspected fraud is identified, including obtaining an understanding of the fraud or suspected fraud in order to determine its effect on the audit engagement; and
- increases transparency in the auditor’s report by communicating key audit matters related to fraud.

Revised [CAS 240 is effective for audits of financial statements for periods beginning on or after December 15, 2026. Earlier application is permitted.](#)

As a result of issuing revised [CAS 240, requirements in the following standards have been amended to align with the auditor’s responsibilities relating on fraud in an audit of financial statements](#):

- CAS 450, *Evaluation of Misstatements Identified During the Audit*, paragraph [6](#);
- CAS 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraphs [45, 46\(h\), 56, 58\(d\) and 60\(g\)](#);
- CAS 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph [C40\(a\)](#);
- Canadian Standard on Review Engagements 2400, *Engagements to Review Historical Financial Statements*, paragraph [47\(d\) and 69; and](#)
- Assurance and Related Services Guideline 17, *Transactions or Conditions Reportable under the “Well-being Reporting Requirement” in Federal Financial Institutions Legislation*, paragraph [10](#).

The "Illustrations of Independent Auditor's Reports on Financial Statements" in the following CASs have been updated to reflect the changes made in revised [CAS 240](#):

- CAS 700, Illustrations [1-2 and 4](#);
- CAS 800, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, Illustrations [1-3](#);
- CAS 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, Illustrations [1-3](#).

Editorial changes have been made to other standards and Guidelines as a consequence of issuing [CAS 240](#).

**Archived Pronouncements**

To give Handbook readers continued access to superseded CAS 240 and paragraphs in other standards and Sections, supplements in the Archived Pronouncements set out the wording of [CAS 240 and paragraphs in other standards and Sections](#). [The archived material will be withdrawn from the Handbook when it is no longer effective.](#)

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