Fraud

Accounting & Finance

The auditor's responsibility for fraud, and the fraud triangle.

The fraud triangle and audit response.

Fraud triangle

- **Incentive — a pressure or target to meet**
- **Opportunity — a weak or overridden control**
- **Rationalisation — a story that makes it acceptable**

Audit response

- **Professional scepticism throughout**
- **Test journal entries, especially late ones**
- **Review accounting estimates for bias**
- **Consider unusual or complex transactions**
- **Discuss fraud risk within the team**

> Preventing and detecting fraud is management's responsibility. The auditor plans to detect material fraud, not all fraud.