

FRAUD CIRCUMSTANCES CHECKLIST

(Source: New AU Section 240, Appendix C)

RECOGNIZING CIRCUMSTANCES THAT SHOULD GET YOUR ATTENTION

How to use the checklist:

1. Review this checklist towards end on an engagement with all profession staff that worked on engagement.
2. Each "Yes" answer identifies an area that may require attention.

		Does Circumstance Exist?		
Ref.	Question (Note: each "yes" answer identifies a potential problem!)	Yes	No	N/A
Are there discrepancies in the accounting records with respect to the following:				
1.	Transactions that are not recorded in a complete or timely manner or are improperly recorded by amount, accounting period, classification, or entity policy?			
2.	Unsupported or unauthorized balances or transactions?			
3.	Last minute adjustments that significantly affect financial results?			
4.	Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorized duties?			
5.	Tips or complaints to the auditor about alleged fraud?			
Are there conflicting or missing evidence with respect to the following:				
6.	Missing documents?			
7.	Documents that appear to have been altered?			
8.	Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist?			
9.	Significant unexplained items on reconciliations?			
10.	Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships; for example, receivables growing faster than revenues?			
11.	Inconsistent, vague, or implausible responses from management or employees arising from inquiries or analytical procedures?			
12.	Unusual discrepancies between the entity's records and confirmation replies?			
13.	Large numbers of credit entries and other adjustments made to accounts receivable records?			
14.	Unexplained or inadequately explained differences between the accounts receivable subledger and the control account, or between the customer statements and the accounts receivable subledger?			
15.	Missing or nonexistent cancelled checks in circumstances in which cancelled checks are ordinarily returned to the entity with the bank statement?			
16.	Missing inventory or physical assets of significant magnitude?			
17.	Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies?			
18.	Fewer responses to confirmations than anticipated or a greater number of responses than anticipated?			
19.	Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments?			

		Does Circumstance Exist?		
Ref.	Question (Note: each "yes" answer identifies a potential problem!)	Yes	No	N/A
During the engagement were there problematic or unusual relationships involving management or employees of the entity with respect to the following:				
20.	Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought?			
21.	Undue time pressures imposed by management to resolve complex or contentious issues?			
22.	Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management?			
23.	Unusual delays by the entity in providing requested information?			
24.	Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques?			
25.	Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel?			
26.	An unwillingness to add or revise disclosures in the financial statements to make them more complete and understandable?			
27.	An unwillingness to address identified deficiencies in internal control on a timely basis?			
28.	Unwillingness by management to permit the auditor to meet privately with those charged with governance?			
29.	Accounting policies that appear to be at variance with industry norms?			
30.	Frequent changes in accounting estimates that do not appear to result from changed circumstances?			
31.	Tolerance of violations of the entity's code of conduct?			

Understanding Fraud: Fraud Circumstances Checklist