

CA – DETECTION OF FRAUDS

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CA – DETECTION OF FRAUDS

- Is Audit an Art ?

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- How many Frauds are found by the Auditor?



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Consequences of Fraud

On Auditor

On Enterprise

Provisions of
Companies Bill 2012



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- **SA – 240 –**

The Auditor's responsibilities relating to Fraud in an audit of Financial Statement.

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Fraud v/s Error

Intentional Act to
obtain an unjust
or illegal
advantage

Unintentional
mis-statement or
omission of
amount or
disclosure

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Reasonable Assurance

v/s

Absolute Assurance

Audit

Certification

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- **Expectation Gap**
Difference between –
 - Auditor **should** have found the Fraud
v/s
 - Auditor **could** have found the Fraud

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- Objectives of the Auditor

- A] Identify & Assess the risk of material misstatement
 - i) Fraudulent Financial reporting
 - ii) Misappropriation of Assets
- B] Obtain Appropriate audit evidence\
By Designing and implementing appropriate responses
- C] Respond appropriately to identified or suspected Fraud

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- Risks of Material Misstatement at –
 - ✓ The overall financial statement level;
and
 - ✓ The assertion level
 - Inherent Risk
 - Control Risk

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- Risk Factors relating to mis-statement arising from –
 - a) Fraudulent Financial Reporting
 - b) Misappropriation of Assets



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- **Maintaining Professional Skepticism throughout audit**

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Audit Risk

Risk of material
mis-statement

Detection Risk



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- Detection Risk is a function of effectiveness of an audit procedure and of its application by auditor.
- Detection Risk can only be reduced, not eliminated



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- Inherent Limitations of Audit

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Fraud Risks Factors Identified

Belief that additional Audit procedure necessary

Documents –

- i) Presence of such risk factor
- ii) Responses to Risk Factor



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- Indications of Fraud



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- Types of Frauds –
 - ✓ Fraudulent Entries
 - ✓ Sales Frauds
 - ✓ Collection Frauds
 - ✓ Expenses Frauds
 - ✓ Payroll Frauds



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- Types of Frauds – Contd..

- ✓ Data Frauds
- ✓ Banking Frauds
- ✓ Others



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- Possible Audit Procedures



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- Communication of Fraud



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- Withdrawal from Assignment



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- If you salute your duty you need not salute anybody. If you pollute your duty you have to salute everybody.



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Thank you...