

Insufficient audit procedures in response to fraud risks

In short Auditors perform audit procedures to address fraud risks. The AFM reviewed the quality of these procedures, and we conclude that the procedures performed often lack sufficient specificity and dept. For example, because auditors only plan and perform standard procedures, without adapting their nature, timing and extent to the fraud risk. As a result, the audit procedures performed often fall short. Auditors' professional scepticism and questioning mindset must improve. The AFM expects auditors and audit firms to take their responsibility for addressing fraud.

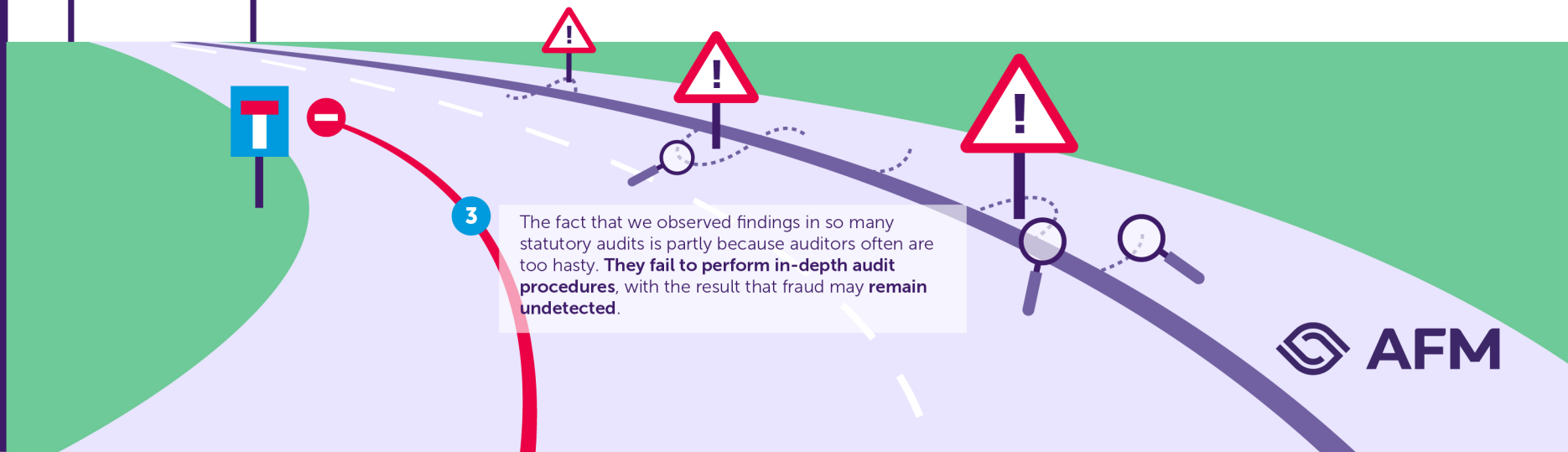


1 During the **fraud risk analysis** fraud risks are identified and the auditor must take action in the form of **audit procedures**.

2 We reviewed 32 statutory audits at 13 audit firms (both PIE and regular audit firms). Audit procedures were deficient in **two-thirds of the reviewed statutory audits**. We observed no findings in only one-third of them.



Completed audit



3 The fact that we observed findings in so many statutory audits is partly because auditors often are too hasty. **They fail to perform in-depth audit procedures**, with the result that fraud may **remain undetected**.