Abstract:
External auditors are often not positioned to detect and report the occurrence of employee fraud. Internal auditors, however, can be an entity's main line of defence against fraud. In this article, the authors identify: the fraud risks and signals that internal auditors should recognize, the assistance that internal auditors can provide external auditors in implementing SAS No. 82 and complying with Title III of the Private Securities Litigation Reform Act, and the affirmative steps internal auditors can take to prevent, deter, detect, and report fraud. The future is not promising, however. All three aspects of the fraud model - pressure, opportunity, and rationalization - appear to be moving in the direction of increasing the risk of fraud. The potential for increased fraud demands a sharpened focus by the internal auditor.