

ASSESSMENT # 4

Total Marks: 30

1. Give short answers to the following questions: (12)
 - i. Explain the term 'fraud risk factors.'
 - ii. What control mechanisms might be adopted against corruption?
 - iii. Outline the main benefits of using analytic procedures in an audit process.
 - iv. What common rationalisations tempt a fraudster to commit fraud?
 - v. Outline the important points to be considered when evaluating fraud risk factors.
 - vi. Analytic procedures are used throughout the audit process for three primary purposes. What are they?
2. 'Circumstances may exist that create opportunities for management or other staff to commit fraud'. Discuss (5)
3. SAS 99 suggests that key sources for the identification of fraud risk factors are inquiries of Management; in this context, what sort of questions should an auditor ask the management? (5)

Case Study (8)

A man was on remand in prison having been charged with drug dealing. No drugs were ever found and the evidence against him was simply that he owned a number of properties but worked as a cleaner in a local factory. The implication was that the property purchases could only have been funded from the proceeds of crime. The man denied this. A forensic expert was instructed to review the man's financial affairs and explain how the man funded his lifestyle.

The expert made a detailed review of the man and his family's financial affairs, starting at the time he bought his first property. The records explained the sources of all the funds used to buy the properties. It showed how the man had used equity created through the legitimate purchase and sale of other properties to create his portfolio and support his family's lifestyle. The court accepted this fraud investigation report in its entirety and the man was released from remand without charge.

- i. What type of evidence do you think the expert would have gathered for his/her report?
- ii. Which documents might have helped the forensic expert to gather evidence?