|  |  |  |
| --- | --- | --- |
| **Client:** | **$(client)** | |
| **Period end date:** | **$(start) - $(end)** | |
| **Ref. no.:** |  | |
| **Prepared by:** | $(user) | **Date:** |
| **Approved by Manager:** |  | **Date:** |
| **Approved by Partner:** |  | **Date:** |

# **Guidance (click to expand):**

Purpose

This template is designed to serve as a documentation template for engagement team’s evaluation of presence of one or more fraud risk factors as well as the planned response.

Introduction

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.

The auditor is concerned with fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Although the auditor may suspect or, in rare cases, identify the occurrence of fraud, the auditor does not make legal determinations of whether fraud has actually occurred.

Types of Fraud

1. Fraudulent Financial Reporting:

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. It can be caused by the efforts of management to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity’s performance and profitability. Such earnings management may start out with small actions or inappropriate adjustment of assumptions and changes in judgments by management. Pressures and incentives may lead these actions to increase to the extent that they result in fraudulent financial reporting. Such a situation could occur when, due to pressures to meet market expectations or a desire to maximize compensation based on performance, management intentionally takes positions that lead to fraudulent financial reporting by materially misstating the financial statements. In some entities, management may be motivated to reduce earnings by a material amount to minimize tax or to inflate earnings to secure bank financing.

Fraudulent financial reporting may be accomplished by the following:

* Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared.
* Misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information.
* Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.

Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively. Fraud can be committed by management overriding controls using such techniques as intentionally:

* Recording fictitious journal entries, particularly close to the end of an accounting period, to manipulate operating results or achieve other objectives.
* Inappropriately adjusting assumptions and changing judgments used to estimate account balances.
* Omitting, advancing or delaying recognition in the financial statements of events and transactions that have occurred during the reporting period.
* Omitting, obscuring or misstating disclosures required by the applicable financial reporting framework, or disclosures that are necessary to achieve fair presentation.
* Concealing facts that could affect the amounts recorded in the financial statements.
* Engaging in complex transactions that are structured to misrepresent the financial position or financial performance of the entity.
* Altering records and terms related to significant and unusual transactions

1. Misappropriation of Assets:

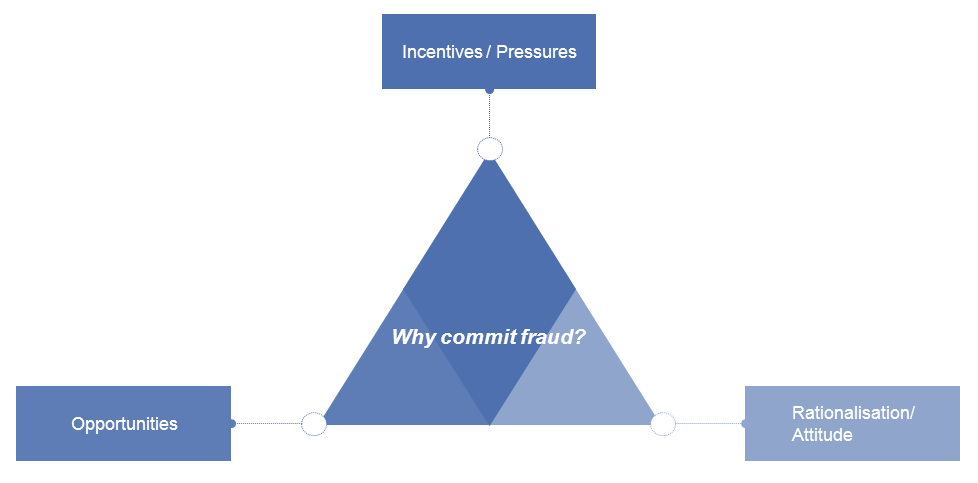
Misappropriation of assets involves the theft of an entity’s assets and is often perpetrated by employees in relatively small and immaterial amounts. However, it can also involve management who are usually more able to disguise or conceal misappropriations in ways that are difficult to detect. Misappropriation of assets can be accomplished in a variety of ways including:

* Embezzling receipts (for example, misappropriating collections on accounts receivable or diverting receipts in respect of written-off accounts to personal bank accounts).
* Stealing physical assets or intellectual property (for example, stealing inventory for personal use or for sale, stealing scrap for resale, colluding with a competitor by disclosing technological data in return for payment).
* Causing an entity to pay for goods and services not received (for example, payments to fictitious vendors, kickbacks paid by vendors to the entity’s purchasing agents in return for inflating prices, payments to fictitious employees).
* Using an entity’s assets for personal use (for example, using the entity’s assets as collateral for a personal loan or a loan to a related party).

Misappropriation of assets is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Characteristics of Fraud:

Fraud, whether fraudulent financial reporting or misappropriation of assets, has three characteristics. This diagram identifies the three characteristics of situations in which fraud risk can be heightened.



Generally, three conditions are present when fraud occurs:

1. Management or other employees have an incentive or are under pressure that provides a reason to commit fraud
2. Circumstances exist (e.g., the absence of controls, ineffective controls, or the ability of management to override controls) that provide an opportunity for fraud to be perpetrated, and
3. Those involved are able to rationalize a fraudulent act as being consistent with personal code of ethics or they possess an attitude, character or set of ethical values that allow them to knowingly and intentionally commit a dishonest act.

Fraud Risk Factors

Coming to the fraud risk factors, the fact that fraud is usually concealed can make it very difficult to detect. Nevertheless, the auditor may identify events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud (fraud risk factors). For example:

* The need to meet expectations of third parties to obtain additional equity financing may create pressure to commit fraud;
* The granting of significant bonuses if unrealistic profit targets are met may create an incentive to commit fraud; and
* A control environment that is not effective may create an opportunity to commit fraud.

There are essentially two kinds of risk factors:

1. Risk factors: Evidence of a generally increased risk of fraud is gathered through indirect evidence by the identification of risk factors
2. Evidential risk factors: Evidence that a fraud may actually have taken place or is in contemplation is more direct and is more likely to emerge during the conduct of the audit than at the client Acceptance & Continuance or planning stage, as it generally relates to inconsistencies or deficiencies in audit evidence

Examples of fraud risk factors related to fraudulent financial reporting and misappropriation of assets are presented in this documentation template. These illustrative risk factors are classified based on the three characteristics that are generally present when fraud exists as explained above i.e. an incentive or pressure to commit fraud; a perceived opportunity to commit fraud; and an ability to rationalize the fraudulent action. Risk factors reflective of an attitude that permits rationalization of the fraudulent action may not be susceptible to observation by the auditor. Nevertheless, the auditor may become aware of the existence of such information. Although the fraud risk factors described cover a broad range of situations that may be faced by auditors, they are only examples, other risk factors may exist and not all of them are relevant in all circumstances.

The determination of whether a fraud risk factor is present and whether it is to be considered in assessing the risks of material misstatement of the financial statements due to fraud requires the exercise of professional judgment. Risk factors are not in themselves evidence that a fraud has in fact occurred and their existence in relation to a particular client may not in any way be connected to fraud. Generally, the more risk factors that are identified in relation to a client, the greater the overall risk of fraud. However, there is no simple formula for estimating the degree of fraud risk, and even a few risk factors in key areas may be grounds for concern.

The size, complexity, and ownership characteristics of the entity have a significant influence on the consideration of relevant fraud risk factors. For example, in the case of a large entity, there may be factors that generally constrain improper conduct by management, such as:

* Effective oversight by those charged with governance.
* An effective internal audit function.
* The existence and enforcement of a written code of conduct.

Furthermore, fraud risk factors considered at a business segment operating level may provide different insights when compared with those obtained when considered at an entity-wide level.

In the case of a small entity, some or all of these considerations may be inapplicable or less relevant. For example, a smaller entity may not have a written code of conduct but, instead, may have developed a culture that emphasizes the importance of integrity and ethical behavior through oral communication and by management example.

Possible Response to Fraud Risk

The following are examples of possible audit procedures to address the assessed risks of material misstatement due to fraud resulting from both fraudulent financial reporting and misappropriation of assets. Although these procedures cover a broad range of situations, they are only examples and, accordingly they may not be the most appropriate nor necessary in each circumstance:

1. Consideration at financial statement level i.e. overall response
   1. Exercising professional skepticism.
   2. Assign and supervise personnel taking account of the knowledge, skill and ability of the individuals to be given significant engagement responsibilities and the auditor’s assessment of the risks of material misstatement due to fraud for the engagement for example, assigning additional individuals with specialized skill and knowledge, such as forensic and IT experts; assigning more experienced individuals to the engagement; or providing more supervision.
   3. Evaluate whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management’s effort to manage earnings.
   4. Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures for example, performing substantive procedures on selected account balances and assertions not otherwise tested due to their materiality or risk; adjusting the timing of audit procedures from that otherwise expected; using different sampling methods; or performing audit procedures at different locations or at locations on an unannounced basis.
2. Consideration at the assertion level
   1. Visiting locations or performing certain tests on a surprise or unannounced basis. For example, observing inventory at locations where auditor attendance has not been previously announced or counting cash at a particular date on a surprise basis.
   2. Requesting that inventories be counted at the end of the reporting period or on a date closer to period end to minimize the risk of manipulation of balances in the period between the date of completion of the count and the end of the reporting period.
   3. Altering the audit approach in the current year. For example, contacting major customers and suppliers orally in addition to sending written confirmation, sending confirmation requests to a specific party within an organization, or seeking more or different information.
   4. Performing a detailed review of the entity’s quarter-end or year-end adjusting entries and investigating any that appear unusual as to nature or amount.
   5. For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions.
   6. Performing substantive analytical procedures using disaggregated data. For example, comparing sales and cost of sales by location, line of business or month to expectations developed by the auditor.
   7. Conducting interviews of personnel involved in areas where a risk of material misstatement due to fraud has been identified, to obtain their insights about the risk and whether, or how, controls address the risk.
   8. When other independent auditors are auditing the financial statements of one or more subsidiaries, divisions or branches, discussing with them the extent of work necessary to be performed to address the assessed risk of material misstatement due to fraud resulting from transactions and activities among these components.
   9. If the work of an expert becomes particularly significant with respect to a financial statement item for which the assessed risk of misstatement due to fraud is high, performing additional procedures relating to some or all of the expert’s assumptions, methods or findings to determine that the findings are not unreasonable, or engaging another expert for that purpose.
   10. Performing audit procedures to analyze selected opening balance sheet accounts of previously audited financial statements to assess how certain issues involving accounting estimates and judgments, for example, an allowance for sales returns, were resolved with the benefit of hindsight.
   11. Performing procedures on account or other reconciliations prepared by the entity, including considering reconciliations performed at interim periods.
   12. Performing computer-assisted techniques, such as data mining to test for anomalies in a population.
   13. Testing the integrity of computer-produced records and transactions.
   14. Seeking additional audit evidence from sources outside of the entity being audited.
3. Specific responses — misstatement resulting from fraudulent financial reporting
   1. Revenue recognition — performing substantive analytical procedures relating to revenue using disaggregated data, for example, comparing revenue reported by month and by product line or business segment during the current reporting period with comparable prior periods. Computer-assisted audit techniques may be useful in identifying unusual or unexpected revenue relationships or transactions.
   2. Revenue recognition — confirming with customers certain relevant contract terms and the absence of side agreements, because the appropriate accounting often is influenced by such terms or agreements and basis for rebates or the period to which they relate are often poorly documented. For example, acceptance criteria, delivery and payment terms, the absence of future or continuing vendor obligations, the right to return the product, guaranteed resale amounts, and cancellation or refund provisions often are relevant in such circumstances.
   3. Revenue recognition — inquiring of the entity’s sales and marketing personnel or in-house legal counsel regarding sales or shipments near the end of the period and their knowledge of any unusual terms or conditions associated with these transactions.
   4. Revenue recognition — being physically present at one or more locations at period end to observe goods being shipped or being readied for shipment (or returns awaiting processing) and performing other appropriate sales and inventory cutoff procedures.
   5. Revenue recognition — for those situations for which revenue transactions are electronically initiated, processed, and recorded, testing controls to determine whether they provide assurance that recorded revenue transactions occurred and are properly recorded.
   6. Inventory quantities — examining the entity’s inventory records to identify locations or items that require specific attention during or after the physical inventory count.
   7. Inventory quantities — observing inventory counts at certain locations on an unannounced basis or conducting inventory counts at all locations on the same date.
   8. Inventory quantities — conducting inventory counts at or near the end of the reporting period to minimize the risk of inappropriate manipulation during the period between the count and the end of the reporting period.
   9. Inventory quantities — performing additional procedures during the observation of the count, for example, more rigorously examining the contents of boxed items, the manner in which the goods are stacked (for example, hollow squares) or labeled, and the quality (that is, purity, grade, or concentration) of liquid substances such as perfumes or specialty chemicals. Using the work of an expert may be helpful in this regard.
   10. Inventory quantities — comparing the quantities for the current period with prior periods by class or category of inventory, location or other criteria, or comparison of quantities counted with perpetual records.
   11. Inventory quantities — using computer-assisted audit techniques to further test the compilation of the physical inventory counts – for example, sorting by tag number to test tag controls or by item serial number to test the possibility of item omission or duplication.
   12. Management estimates — using an expert to develop an independent estimate for comparison to management’s estimate.
   13. Management estimates — Extending inquiries to individuals outside of management and the accounting department to corroborate management’s ability and intent to carry out plans that are relevant to developing the estimate.
4. Specific responses — misstatement due to misappropriation of assets
   1. Counting cash or securities at or near year-end.
   2. Confirming directly with customers the account activity (including credit memo and sales return activity as well as dates payments were made) for the period under audit.
   3. Analyzing recoveries of written-off accounts.
   4. Analyzing inventory shortages by location or product type.
   5. Comparing key inventory ratios to industry norm.
   6. Reviewing supporting documentation for reductions to the perpetual inventory records.
   7. Performing a computerized match of the vendor list with a list of employees to identify matches of addresses or phone numbers.
   8. Performing a computerized search of payroll records to identify duplicate addresses, employee identification or taxing authority numbers or bank accounts.
   9. Reviewing personnel files for those that contain little or no evidence of activity, for example, lack of performance evaluations.
   10. Analyzing sales discounts and returns for unusual patterns or trends.
   11. Confirming specific terms of contracts with third parties.
   12. Obtaining evidence that contracts are being carried out in accordance with their terms.
   13. Reviewing the propriety of large and unusual expenses.
   14. Reviewing the authorization and carrying value of senior management and related party loans.
   15. Reviewing the level and propriety of expense reports submitted by senior management

# **Fraud Risk Factors Checklist**

1. Risk Factors Relating to Misstatements Arising from Fraudulent Financial Reporting

**Incentives/Pressures**

1. Financial stability or profitability is threatened by economic, industry, or entity operating conditions, such as (or as indicated by):

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| High degree of competition or market saturation, accompanied by declining margins | None |
| High vulnerability to rapid changes, such as changes in technology, product obsolescence, interest rates, inflation or unemployment | None |
| Significant declines in customer demand and increasing business failures in either the industry or overall economy | None |
| Operating losses making the threat of bankruptcy, foreclosure, or hostile takeover imminent | None |
| Recurring negative cash flows from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth | None |
| Rapid growth or unusual profitability, especially compared to that of other companies in the same industry | None |
| New accounting, statutory, or regulatory requirements | None |

1. Excessive pressure exists for management to meet the requirements or expectations of third parties due to the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Profitability or trend level expectations of investment analysts, institutional investors, significant creditors, or other external parties (particularly expectations that are unduly aggressive or unrealistic), including expectations created by management in, for example, overly optimistic press releases or annual report messages | None |
| Need to obtain additional debt or equity financing to stay competitive – including financing of major research and development or capital expenditures | None |
| Marginal ability to meet exchange listing requirements or debt repayment or other debt covenant requirements | None |
| Perceived or real adverse effects of reporting poor financial results on significant pending transactions, such as business combinations or contract awards | None |

1. Information available indicates that management or the board of directors’ personal financial situation is threatened by the entity’s financial performance arising from the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Significant financial interests/ heavy concentrations of their (directors) personal net worth in the entity | None |
| Significant portions of their compensation (for example, bonuses, stock options, and earn-out arrangements) being contingent upon achieving aggressive targets for stock price, operating results, financial position, or cash flow | None |
| Personal guarantees of debts of the entity that are significant to their personal net worth | None |

1. There is excessive pressure on management or operating personnel to meet financial targets set up by the Board of Directors or management, including sales or profitability incentive goals.

Risk identified and planned response: None.

**Opportunities**

1. The nature of the industry or the entity’s operations provides opportunities to engage in fraudulent financial reporting that can arise from the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Significant related-party transactions not in the ordinary course of business or with related entities not audited or audited by another firm | None |
| A strong financial presence or ability to dominate a certain industry sector that allows the entity to dictate terms or conditions to suppliers or customers that may result in inappropriate or non-arms-length transactions | None |
| Assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgments or uncertainties that are difficult to corroborate | None |
| Significant, unusual, or highly complex transactions, especially those close to year end tha\*t pose difficult "substance over form" questions | None |
| Significant operations located or conducted across international borders in jurisdictions where differing business environments and cultures exist | None |
| Use of business intermediaries for which there appears to be no clear business justification | None |
| Significant bank accounts or subsidiary or branch operations in tax-haven jurisdictions for which there appears to be no clear business justification | None |

1. The monitoring of management is not effective as a result of the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Domination of management by a single person or small group (in a non-owner managed business) without compensating controls | None |
| Oversight by those charged with governance over the financial reporting process and internal control is not effective | None |

1. There is a complex or unstable organisational structure as evidenced by the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Difficulty in determining the organisation or individuals that have controlling interest in the entity | None |
| Overly complex organisational structure involving unusual legal entities or managerial lines of authority | None |
| High turnover of senior management, counsel, or board members | None |

1. Internal control components are deficient as a result of the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Inadequate monitoring of controls, including automated controls and controls over interim financial reporting (where external reporting is required) | None |
| High turnover rates or employment of ineffective accounting, internal audit, or information technology staff | None |
| Accounting personnel exhibit inexperience or laxity in performing their duties | None |

**Attitudes/Rationalizations**

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Communication, implementation, support, or enforcement of the entity’s values or ethical standards by management, or the communication of inappropriate values or ethical standards, that are not effective | None |
| Non-financial management’s excessive participation in or preoccupation with the selection of accounting principles or the determination of significant estimates | None |
| Known history of violations of securities laws or other laws and regulations, or claims against the entity, its senior management, or board members alleging fraud or violations of laws and regulations | None |
| Excessive interest by management in maintaining or increasing the entity’s stock price or earnings trend | None |
| The practice by management of committing to analysts, creditors, and other third parties to achieve aggressive or unrealistic forecasts | None |
| Management failing to correct known reportable conditions or material weaknesses in internal control on a timely basis | None |
| An interest by management in employing inappropriate means to minimise reported earnings for tax-motivated reasons | None |
| Low morale among senior management | None |
| The owner-manager makes no distinction between personal and business transactions | None |
| Dispute between shareholders in a closely held entity | Noe |
| Recurring attempts by management to justify marginal or inappropriate accounting on the basis of materiality | None |
| The relationship between management and the current or predecessor auditor is strained, as exhibited by the following:   * Frequent disputes with the current or predecessor auditor on accounting, auditing, or reporting matters * Unreasonable demands on the auditor (with pressure placed through the fee structure), such as unreasonable time constraints regarding the completion of the audit or the issuance of the auditor’s report * Formal or informal restrictions on the auditor that inappropriately limit access to people or information or the ability to communicate effectively with the board of directors or audit committee * Domineering management behavior in dealing with the auditor, especially involving attempts to influence the scope of the auditor’s work or the selection or continuance of personnel assigned to or consulted on the audit engagement | None |

1. Risk Factors Arising from Misstatements Arising from Misappropriation of Assets

**Incentives/Pressures**

1. Personal financial obligations may create pressure on management or employees with access to cash or other assets susceptible to theft to misappropriate those assets.

Risk identified and planned response: None.

1. Adverse relationships between the entity and employees with access to cash or other assets susceptible to theft may motivate those employees to misappropriate those assets. For example, adverse relationships may be created by the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Known or anticipated future employee layoffs | None |
| Recent or anticipated changes to employee compensation or benefit plans | None |
| Promotions, compensation, or other rewards inconsistent with expectations | None |

**Opportunities**

1. Certain characteristics or circumstances may increase the susceptibility of assets to misappropriation. For example, opportunities to misappropriate assets increase when there are the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Large amounts of cash on hand or processed | None |
| Inventory items that are small in size, of high value, or in high demand | None |
| Easily convertible assets, such as bearer bonds, diamonds, or computer chips | None |
| Fixed assets which are small in size, marketable, or lacking observable identification of ownership | None |

1. Inadequate internal control over assets may increase the susceptibility of misappropriation of those assets. For example, misappropriation of assets may occur because there is the following:

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Inadequate segregation of duties or independent checks | None |
| Inadequate oversight of senior management expenditures, such as travel and other re-imbursements | None |
| Inadequate management oversight of employees responsible for assets, for example, inadequate supervision or monitoring of remote locations | None |
| Inadequate job applicant screening of employees with access to assets | None |
| Inadequate record keeping with respect to assets | None |
| Inadequate system of authorization and approval of transactions (for example, in purchasing) | None |
| Inadequate physical safeguards over cash, investments, inventory, or fixed assets | None |
| Lack of complete and timely reconciliations of assets | None |
| Lack of timely and appropriate documentation of transactions, for example, credits for merchandise returns | None |
| Lack of mandatory vacations for employees performing key control functions | None |
| Inadequate management understanding of information technology, which enables information technology employees to perpetrate a misappropriation | None |
| Inadequate access controls over automated records, including controls over and review of computer systems event logs | None |

**Attitudes/Rationalization**

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Disregard for the need for monitoring or reducing risks related to misappropriations of assets | None |
| Disregard for internal control over misappropriation of assets by overriding existing controls or by failing to take appropriate remedial action on known deficiencies in internal control | None |
| Behavior indicating displeasure or dissatisfaction with the entity or its treatment of the employee | None |
| Changes in behavior or lifestyle that may indicate assets have been misappropriated | None |
| Tolerance of petty theft | None |

1. Evidential Risk Factors

|  |  |
| --- | --- |
| **Indicator** | **Risk identified and planned response** |
| Discrepancies in the accounting records, including:   * Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy * Unsupported or unauthorized balances or transactions * Last-minute adjustments that significantly affect financial results * Evidence of employees’ access to systems and records inconsistent with that necessary to perform their authorized duties * Tips or complaints to the auditor about alleged fraud | None |
| Conflicting or missing evidential matter, including:   * Missing documents * Documents that appear to have been altered * Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist * Significant unexplained items on reconciliations * Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships – for example, receivables growing faster than revenues * Inconsistent, vague, or implausible responses from management or employees arising from inquiries or analytical procedures * Unusual discrepancies between the entity's records and confirmation replies * Large numbers of credit entries and other adjustments made to accounts receivable records * Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger * Missing or non-existent cancelled checks in circumstances where cancelled checks are ordinarily returned to the entity with the bank statement * Missing inventory or physical assets of significant magnitude * Unavailable or missing electronic evidence, inconsistent with the entity’s record retention practices or policies * Fewer responses to confirmations than anticipated or a greater number of responses than anticipated * Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments | None |
| Problematic or unusual relationships between the auditor and client, including:   * Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought * Undue time pressures imposed by management to resolve complex or contentious issues * Complaints by management about the conduct of the audit or management intimidation of audit team members, particularly in connection with the auditor’s critical assessment of audit evidence or in the resolution of potential disagreements with management * Unusual delays by the entity in providing requested information * Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques * Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel * An unwillingness to add or revise disclosures in the financial statements to make them more complete and understandable * An unwillingness to address identified deficiencies in internal control on a timely basis | None |
| Other:   * Unwillingness by management to permit the auditor to meet privately with those charged with governance * Accounting policies that appear to be at variance with industry norms * Frequent changes in accounting estimates that do not appear to result from changed circumstances * Tolerance of violations of the entity’s code of conduct | None |