University of Wollongong
Research Online

Faculty of Commerce - Papers (Archive) Faculty of Business and Law

1-1-2007

Traditional audit techniques and human behaviour at undergraduate level - answering the call for audit education reform

Annamaria Kurtovic
University of Wollongong, kurtovic@uow.edu.au

Follow this and additional works at: https://ro.uow.edu.au/commpapers

 Part of the Business Commons, and the Social and Behavioral Sciences Commons

Recommended Citation

Kurtovic, Annamaria: Traditional audit techniques and human behaviour at undergraduate level - answering the call for audit education reform 2007, 1-12.
https://ro.uow.edu.au/commpapers/1696

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au

Traditional audit techniques and human behaviour at undergraduate level - answering the call for audit education reform

Abstract

As educators, we have a responsibility to society to ensure that our students receive adequate learning and training. In recent years, there have been continued calls for reform within the accounting profession, particularly regarding auditor training. The following paper will analyse how a newly developed framework, the Fusion Framework, is applied to the curricula of an undergraduate auditing and assurance course, with the aim of influencing reform in audit education. In turn assuring that graduates are provided with the necessary knowledge and skills to not only meet the regulatory requirements but also the expectations of the wider market and investors. The Fusion Framework, which is a direct result of a newly instigated Audit Quality Education Reform Project (AQERP) attempts to overcome pedagogical challenges that face educators when expanding on traditional audit techniques to include newly required interdisciplinary skills. The Fusion Framework introduces students to the premise that an auditor's body of knowledge extends far beyond that of an accountant and requires an interdisciplinary approach, drawing from such areas as criminology and psychology in order to prevent catastrophic corporate collapses.

Keywords

Traditional, audit, techniques, human, behaviour, undergraduate, level, answering, call, for, audit, education, reform

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Kurtovic, A. (2007). Traditional audit techniques and human behaviour at undergraduate level - answering the call for audit education reform. In N. Meyers, B. N.. Smith, S. Bingham & S. Shimeld (Eds.), Proceedings of the Second Innovation in Accounting and Corporate Governance Education Conference, 2007 (pp. 1-12). Hobart: University of Tasmania.

This conference paper is available at Research Online: https://ro.uow.edu.au/commpapers/1696

TRADITIONAL AUDIT TECHNIQUES AND HUMAN BEHAVIOUR AT UNDERGRADUATE LEVEL – ANSWERING THE CALL FOR AUDIT EDUCATION REFORM

Annamaria Kurtovic

School of Accounting and Finance, University of Wollongong, Northfields Ave, Wollongong, New South Wales, Australia, 2252: Kurtovic@uow.edu.au

ABSTRACT

As educators, we have a responsibility to society to ensure that our students receive adequate learning and training. In recent years, there have been continued calls for reform within the accounting profession, particularly regarding auditor training. The following paper will analyse how a newly developed framework, the Fusion Framework, is applied to the curricula of an undergraduate auditing and assurance course, with the aim of influencing reform in audit education. Inturn assuring that graduates are provided with the necessary knowledge and skills to not only meet the regulatory requirements but also the expectations of the wider market and investors. The Fusion Framework, which is a direct result of a newly instigated Audit Quality Education Reform Project (AQERP) attempts to overcome pedagogical challenges that face educators when expanding on traditional audit techniques to include newly required interdisciplinary skills. The Fusion Framework introduces students to the premise that an auditor's body of knowledge extends far beyond that of an accountant and requires an interdisciplinary approach, drawing from such areas as criminology and psychology in order to prevent catastrophic corporate collapses.

INTRODUCTION

The ramification of recent corporate collapses and scandals has meant that the ability of auditors and regulators to provide reasonable assurance as to a corporation's financial status has come under server scrutiny. The appropriateness and adequacy of accounting education (Albrecht and Sack 2000), with particular reference to audit issues has come under fire as auditors, it has been said, had failed, due to inadequate audit procedures, to provide adequate assertion as to the financial status and going concern of organisations. The current regulatory requirements governing auditors worldwide is quite clear – auditors are required to look for misstatements due to fraud when undertaking a financial report audit, yet these newly developed regulatory requirements highlighted the gross inadequacy of audit education worldwide. It became apparent that the traditional audit techniques were no longer sufficient and much needed audit education reform would need to take place if auditors were to meet the expectations instilled on auditors virtually overnight. Current students and potential future auditors needed a new way of thinking, drastically different from the traditional perception that auditors were simply reviewing financial statements for errors or inconsistencies with accounting standards. Auditors need to understand and become experts at recognising potential or already existing financial misstatements due to fraud and not just error. Importantly, future auditors need to become sceptical of their audit clients and be prepared to ask difficult questions, traditional audit teaching had become inadequate overnight. In recognising the obvious inadequacies in

auditor education, the University of Wollongong became proactive in ensuring that future graduates possessed the necessary skills that would ensure that they were prepared to meet the expectations now placed on auditors.

Accordingly, a revision of the undergraduate audit program at the University of Wollongong expanded traditional auditing techniques and began to encompass techniques and activities that would traditionally rest in an investigators domain. Students are made aware of the interdisciplinary knowledge required today by auditors in order to fulfil their duties and responsibilities and are introduced to a newly developed Fusion Framework, a direct result of research being undertaken by the author within the School of Accounting and Finance, entitled, Auditor Quality Education Reform Project (AQERP).

Auditors have literally overnight been laden with the responsibility and duty of investigators, fraud examiners. Auditors can no longer be reliant only on the quantitative testing that was once enough to fulfil the auditor's duties.

The new regulatory requirements have made it necessary for auditors to posses a host of interdisciplinary skills and knowledge that have traditionally been reserved for an;

- Accountant
- Detective / investigator
- Lawyer
- Criminologist
- Psychologist

In addition to the accounting skills possessed by auditors, there is also a penchant need for auditors to be able to think like a criminologist and talk like a psychologist in order to detect any signs of possible deception (Wells 2005).

Auditors need to possess the characteristics of a forensic accountant, a financial investigator that is able to detect red flag indicators of fraud and read and respond to elements of human behaviour and ultimately signs of deception (Rabon 2003). More importantly, the auditor must interrelate these signs with the quantitative information gathered from traditional audit procedures to assist the professional judgment made by auditors and reasonable assurance that there are no misstatements due to fraud.

It is this critical fact that is the driving force behind AQERP, auditors, both current and future must be given the opportunity to adapt to the new requirements and work accordingly. In order, however, for this to happen there must be educational reform that will assist in training and preparing auditors for their responsibilities. Reality is that auditors have instantaneously been given a new level to reach up to, yet the preparation, guidance and education has not been so quick off the mark. It is this weakness or gap in audit education that AQERP is attempting to address.

AUDIT QUALITY EDUCATION REFORM PROJECT AND ITS PLACE WITHIN UNDERGRADUATE AUDITING

In a direct response to the outcry for educational reform, the Audit Quality Education Reform Project (AQERP) was born, which, as a long-term project, is aimed, at directly initiating and contributing to the much-needed worldwide educational reform of auditors. AQERP recognises the penchant need for reform within audit education and is continually striving towards ways to reduce the "expectation gap" between that which an auditor is taught and that of which is expected of an auditor when fulfilling their duties and responsibilities in practice.

Ultimately, AQERP advocates the need for an audit arm within the accounting profession, arguing that current regulatory requirements and expectations of auditors are such that accountants can no longer fulfil the duties of auditors, rather segregating the educational qualifications from that of accounting qualifications, is the first positive step to lasting audit educational reform. The first major development of AQERP is a framework called the Fusion Framework, which demonstrates the entwining of traditional audit techniques with that of recent non – traditional and non – quantitative investigative skills required to meet the current regulatory requirements governing auditors. Namely, the ability for auditors to detect deception, and ultimately become the much needed corporate bloodhound, which over a century ago in which Justice Lopes declared that auditors were mere watchdogs (Sarup 2004).

In its first major step towards implementing educational reform, AQERP has heeded to the calls for educational reform (Albrecht and Sack, 2000) and has begun to implement the Fusion Framework and associated activities at the undergraduate level. Students in the undergraduate Audit and Assurance subject at the University of Wollongong have had their curriculum extended to incorporate issues such as recognising red flag indicators of fraud, human behaviour and the ability to apply professional judgement in various circumstances and contexts when determining the possibility and existence of misstatements due to fraudulent activities. Importantly, and perhaps the vital issue is that students are at this point taught to analyse human behaviour and look for signs of deception. By being able to analyse human behaviour and detect signs of deception, the auditor is in far greater control to ensure that the correct judgement is made when determining the possibility of fraudulent activities.

The adaptation of traditional audit techniques with new interdisciplinary methodology brought out a pedagogical challenge on two fronts. How best to expose students to necessary practices and procedures that were not traditionally seen as part of an auditors role, and perhaps the most challenging, illustrating the relationship between the traditional role and activities of auditors and that now required to meet regulatory requirements.

In order to fulfil the above pedagogical challenges, students are exposed to the critical reasons as to why traditional audit practice is insufficient. Furthermore, students are taught to recognise the red flag indicators of fraud that go well beyond the quantitative analysis executed by any traditional audit procedure and include the ability to read human behaviour and detect deception. The importance of acquiring this skill is highlighted to students through the Fusion Framework which indicates the interrelated aspects of all of these vital factors.

To begin the interrelationship between the traditional audit procedures and the fusion framework, it is first necessary for students to be given a detailed analysis as to why the role of

auditors has changed so dramatically. The significant focus on the corporate collapses of late and the associated wrong doings by individuals in governance provides students not only with reasoning for the change in auditor's responsibilities but also gives students the first hint of the type of red flag indicators of fraud that they must begin to seek whilst undertaking a financial report audit.

Referring students back to the report of the HIH Royal Commission is paramount as Justice Owen in his findings highlighted two significant issues. The first being, that despite, the misleading of auditors by the audit client, the audit work undertaken during the HIH financial audit was insufficient, stressing the importance of auditor liability to execute their audit responsibilities. Justice Owen, had found, that whilst the auditors were mislead by HIH and FAI executives, that in no way exonerated the fact that the auditors undertook insufficient audit work to adequately sign off on the accounts of HIH;

> *Users of financial statements have varying expectations about the audit certificate. In my view Anderson's approach to the audit in 1999 and 2000 was insufficiently rigours to engender confidence in users as to the reliability of HIH's financial statements. This detracted from the users ability to properly appreciate HIH's true financial position (Justice Owen 2003, 169)*

The second significant aspect of Justice Owens findings was his declaration that exonerated him from subscribing to the ideal that auditors are at fault whenever a company fails (Sexton 2003). In this one statement Justice Owen, rightly indicates that the fault for corporate fraud and failure is deeper than the auditor's involvement, indicating to students the fraud within a corporation knows no boundaries and highlighting the fact that top level management is just as susceptible to fraudulent activities as are middle and low level employees.

It is critical at this stage for students to be exposed to the critical debates that have arisen calling for reform in audit education, highlighting the lack of trust that has been placed in the auditors ability to generally detect possible signs of misstatement due to fraudulent activities (Makkawi and Schick 2003). Justifying to students how important this changing role is in maintaining the trust and integrity of auditors (Jayalakshmy et al 2005).

During this stage, students are made aware of the vast array of red flag indicators of fraud that can become apparent when undertaking traditional audit testing procedures, be it a weakness in internal controls or financial anomalies. Students are made aware of the importance of highlighting these anomalies in preparation for further non-qualitative, deception seeking activities that must be undertaken in order to appropriately judge the possibility that such anomalies are due to fraud or error.

At this point it is vital for students to become familiar with the fraud triangle (Albrecht 2003), and the point of opportunity, indicating the relationship between weak internal controls and the open opportunities for fraud. Doing so allows the student to focus on risk areas, providing not only for an efficient and effective audit program but also allowing the student to identify possible Areas of Risk (AOR). With an understanding of the potential opportunities for fraud the associated red flag indicators and auditing procedures, students are ready to move into the next phase, detecting deception and understanding the fusion framework.

THE FUSION FRAMEWORK –THE ASSESSMENT OF HUMAN BEHAVIOUR - RELATED TO DETECTING DECEPTION AND THE AUDIT PROCESS

Students must be made aware of the importance that rests with the auditor's ability to include human behaviour assessment throughout the audit process. Although traditional audit work has very much ignored any assessment of human behaviour, the current regulatory environment has made assessment and consideration of human behaviour very much apart of the traditional audit process.

Much of what the auditor is looking for in terms of employee behaviour is the ability to detect deception, in the correct context, this will allow the auditor to maker a better and more informed professional judgement as to whether or not fraud exists within an organisation.

All humans are capable of being deceptive (Arbinger 2000) and whether consciously or not our human instinct is to defend ourselves when faced with a threatening situation. It is at this point, that deceptive individuals move into the phase of deception, with no way out and in an attempt to conceal, their deception, individuals begin to show signs of deception that the learned auditor can detect. Students should be made aware of the signs of deception and falsification.

A deceptive individual will prefer to remain silent; if possible, they will attempt to tell you nothing at all, this will allow them not to enter the phase of deception and remain relatively safe, the less said the better. However when faced with continual questioning it soon becomes apparent that something will have to be said in order to keep the auditor / investigator happy. In doing so, the deceiver moves from silence to concealment, providing only selected information, whilst trying to ensure that vital factors or information remains unknown. In concealing this information, the deceiver knows that they will have to provide other information in its place, in order not to arouse suspicion. It is at this point, the point of falsification, when the individual resorts to constructing information and that signs of deception become clear and detectable.

The ability to evaluate and detect signs of deception will assist the overall professional judgement made by auditors when providing assurance as to the accuracy of financial statements and the ability to determine the existence of financial misstatement due to fraudulent activities. It is important for the auditor to bring together quantitative and qualitative information during the audit process, which will provide for better insight into the organisations actual financial status and a more accurate audit opinion.

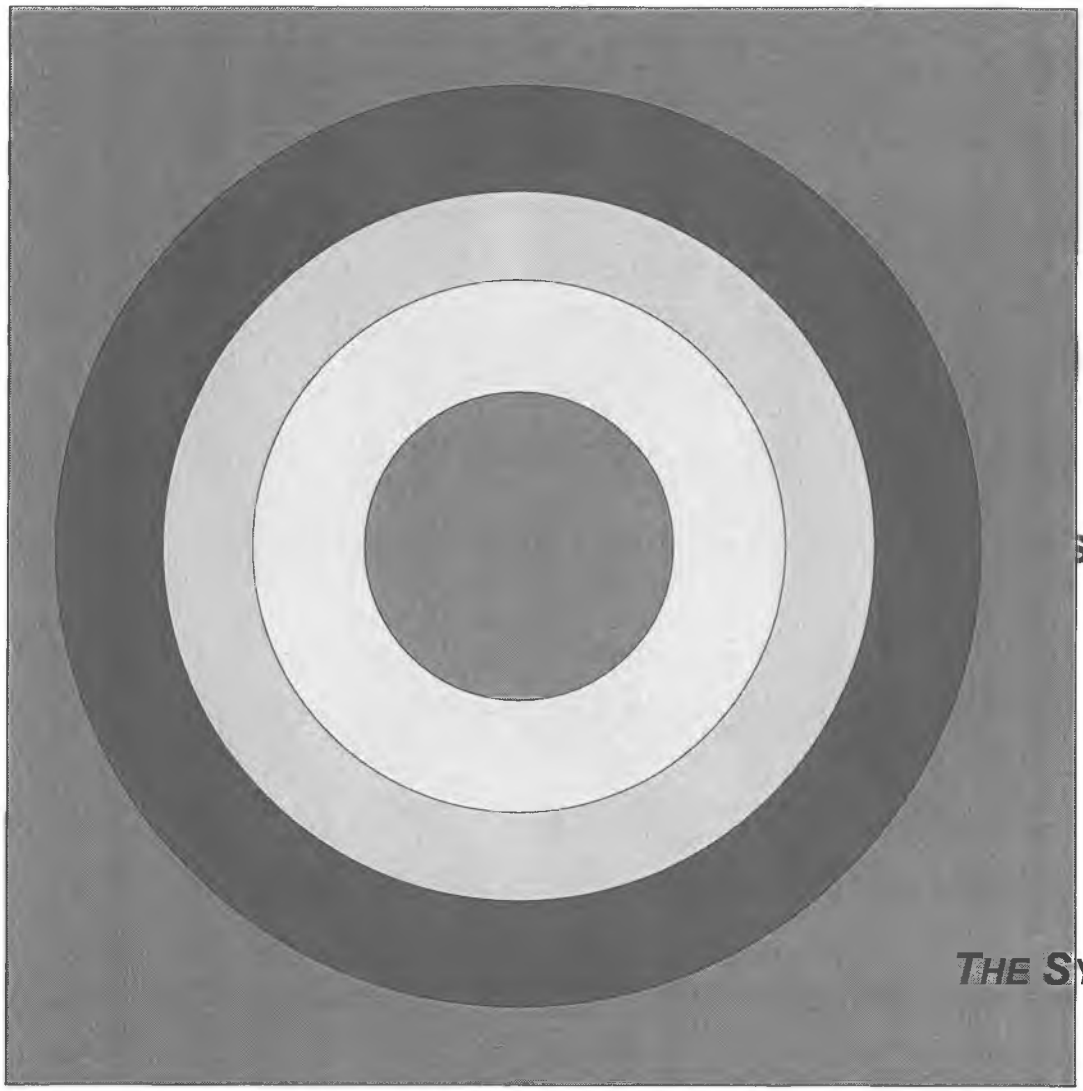
To gain an understanding of the audit client now requires a greater understanding of the business operations, structures, and employees. Accounting anomalies or internal control weaknesses require not only the traditional assessment but also must include an assessment of the employees related to or involved in the particular procedure of interest to determine the likely hood that one or more of these employees may be committing a fraudulent act.

The fusion framework explains the inter-relationship between human behaviour and the audit process and addresses the pedagogical challenge identified earlier. It is critical for students to see the relationship if proper application of the fusion framework is desired.

Traditionally the two (human behaviour and the audit process) never crossed paths and the traditional audit process rarely considered behavioural characteristics of employees or

management. This however is no longer adequate; rather the auditor is compelled to assess carefully any red flag fraud indicators and evidence that may indicate the existence or potential existence of fraud including human behaviour

Ultimately, the fusion framework works on the basis that there are various factors (context being critical) and considerations that auditors need to take into account when making a professional judgment as to the likelihood of financial misstatements due to fraud.



Students should be made aware that when undertaking traditional audit testing the auditor is ultimately examining the financial status of the organisation, any anomalies, inconsistencies, and so forth are usually apparent to the trained eye. To determine whether these financial anomalies have a potential to be associated to fraudulent activities the auditor is required to apply the Fusion Framework and in doing so is looking for any other red flag indicators that in the correct context may indicate the existence of fraud.

In finding financial anomalies, auditors should consider the entire process in question and the employees involved. After considering the various methods of fraud possible within that area of risk, analysis should extend to the possible perpetrators. Focus should then move to the possible motives that may exist for fraudulent acts. These motives may be internal, such as dissatisfaction within the workplace environment and or external, such as the need to live an otherwise unattainable lifestyle and or dependencies, illness and so forth.

The auditor should then consider the opportunities that may be available to undertake fraudulent acts, most of which would already have been addressed within the traditional lines of audit assessment. Focused on a particular area of risk and associated employees the auditor is in a position to scout for internal and or external symptoms of fraud.

APPLYING THE FUSION FRAMEWORK

Once the student obtains a theoretical understanding of the Fusion Framework, the next level is begun and that is the practical application of the Fusion Framework to the audit process. The process of detecting fraud within an organisation involves two distinct processes

- Gaining an understanding of the business – The audit process
- Detecting misstatements due to fraud

Gain an understanding of the business – this entails understanding the business operations, related industry, corporate structure, policies and procedures and importantly the employee structure, including the tone at the top.

In gaining an understanding of the employee structure, the auditor needs to obtain information about the reporting structure, what employees are involved in various processes are there employees that are pertinent to particular procedures, understand the processes (business operations) and the employees involved and responsible. Furthermore, information regarding the internal environment of an organisation will provide the auditor with the necessary knowledge to assess the likelihood of fraud.

Understanding the organisation's environment and employee attitude so to analyse any possible motivation for fraudulent activities includes;

- Analysing performance targets – realistic V unrealistic targets
- Employee perception of the overall corporate environment - low morale, inter – relationship between business growth and employee remuneration
- Review for inter-related contracts and relationships
- Analyse performance review and its direct impact on employee financial incentive and or bonus structure.

- Review for work overload – analyse employee status and job description, workload pressure – mismatch of employee ability and status, poor quality staff
- Review managements procedures for implementing vital change and level of employee knowledge and involvement
- Review for a tendency to focus on or have greater trust of selected employees
- Overall employee access to opportunity

In addition to this the auditor should be aware of the employees presence their character, speech and overall body language. It is important to become aware of this as being able to understand a person's behaviour both verbal and non-verbal is crucial to detecting deception.

The auditor is also required to review and examine the control structure in place *AUS 402;* this is the traditional review and examination of internal controls, for example

- The ability for employees / management to access assets
- Separation of duties
- High level of employee trust and weak or non-existent internal controls

Accordingly, there is a necessity to identify any areas of risk and undertake audit testing to reveal and financial anomalies, entwining the traditional audit process and fraud detection techniques.

THE FUSION FRAMEWORK –THE ASSESSMENT OF HUMAN BEHAVIOUR AND THE AUDIT PROCESS

AUS 406 requires auditors to investigate further any suspected financial misstatements due to fraud, whilst further audit testing is necessary it is also necessary for auditors to apply fraud detection procedures and refer to the already gathered knowledge about employees involved in the highlighted procedure.

When detecting possible misstatements due to fraud the auditors should follow the following procedures

- Highlight the accounting anomalies found and identify the "Area of Risk" (AOR), example accounts receivable collections, shipping etc
- Determine all procedures associated with the identified AOR and all individuals associated with the procedure(s) in question
- Assess the potential of fraud exposure in the identified AOR
- Identify all possible fraudulent activities that could take place within the identified AOR along with the areas of control or manipulation open to employees
- Assess for red flag indicators and gather evidence as required

DECEPTION

It is at this point that students are made aware of the possibility of incorrectly assessing behaviour as deceptive. In order to attempt to eliminate this problem, students are given a greater understanding about what deception really is and are lectured on the how the auditor is able to differ between a persons "normal" behaviour and their deceptive behaviour.

Deception, in simple terms, is the practice of misleading somebody. As an auditor in assessing the possible existence of fraud it has become necessary or at least an invaluable advantage to posses the ability to read human behaviour that may indicate deception. Importantly, the auditor must be able to distinguish between deceptive behaviour as opposed to nervous or uncomfortable behaviour. To do this not only is the context of the situation important but so to the knowledge of ones normal behaviour.

Assessing employee behaviour begins when you walk into the audit client's organisation. Taking note of the "normal" behaviour displayed by various employees. Normal behaviour being the behaviour that is displayed when there is no need to conceal or deceive. By acknowledging or taking note of behaviour in a non-threatening situation the auditor is able to better pickup on deceptive behaviour as the employee moves from their comfort zone to the X zone. The X zone, being, at the point where the employee moves into a mode of deception that entails concealment and falsification. It is during this time, that deceptive behaviour becomes apparent and the auditor can use this in there assessment of fraudulent activities.

Ideally, a person who has something to hide would prefer to disclose nothing, as the auditor begins to ask questions, the individual will realise that silence will not suffice and is compelled to say something. It is at this stage that the individual moves into the phase of deception as the individual attempts to conceal the truth. To replace what they are leaving out the individual must begin to falsify (falsification mode) and hence the phase of deception is entered. This is where deceptive behaviour becomes apparent to the learned auditor and it becomes clear that the individual is trying to deceive. This alone is not an indication of fraud but is an indication of deception, which is a red flag indicator of fraud in itself.

To identify deceptive behaviour auditors need to be familiar with normal behaviour as individuals may often exhibit behaviour that can be wrongly interpreted as deceptive behaviour. For example, the crossing of arms traditionally termed as an act of defence yet; some individuals may have a habit of sitting with crossed arms. If an auditor is aware of this habit, they have the ability to focus on other behaviour indicating deception, such as movement of feet or crossing of legs. Deceptive behaviour may take many forms and includes verbal and non-verbal behaviour.

- Stalling methods / hesitation
- Psychological Regression
- Changes in voice tone
- Changes in speech rate and or volume
- Anxious laugh
- Breaks eye contact
- Bites lips when speaking
- Begins to fidget with hands – may cover portion of their face
- Crosses arms
- Begins to shuffle feet, cross legs, shows signs of being uncomfortable and uneasy – can't find a comfortable sitting position, may lean or position towards the door.
- Bounces or tapping of feet

There are predominantly three types of deceptive behaviour characteristics that students should be aware of that of the controller, extrovert and the anxious individual, each of which have various deceptive behaviour traits that the learned auditor if diligent can detect.

Controller

- Rarely takes holidays and if is away ensures that all work is left for his / her execution or resolution
- Seems to be very conscientious and prepared to do anything to please
- Prefers to keep others away from his/her territory
- Likes to maintain a close watch on critical areas including personnel, accounts receivables, accounts payables, assets
- Dels with critical issues differently, for example may deal with customers/suppliers outside the normal policies and procedures.
- Inter-personal relationship with creditors and or debtors

Extrovert

- Outgoing and optimistic - Always centre of attention
- Likes to be perceived as wealthy and successful
- Likes to reiterate about having the right contacts
- Associates him or herself with the business – becomes the business
- Smooth talker – A goo talker – likes to make people feel important

Anxious

- Prefers to remain silent unless confronted
- Becomes anxious about critical areas
- Avoids answering questions directly and becomes defensive when probed
- Unapproachable and may resort to intimidation
- Unreachable – always at meetings and unable to arrange a meeting time

External Symptoms

Students should also be made aware of the various external symptoms of fraud which an individual can display. Whilst these alone are not proof of fraud they are red flags and the important aspect of an audit it to ensure that any and all red flag indicators are identified.

One of the common external symptoms is that of an extravagant lifestyle – living beyond one's means. Whilst legitimate answers may exist, more often than not red-flags are raised when an employee's remuneration is not matched to their lifestyle. One of the common characteristics of fraudsters is that they like to display their newfound wealth and are happy for everyone to see how well they are living. Again, this in itself is not evidence of fraud. However, if an employee seems to live an extravagant lifestyle, expensive house, cars, clothes, jewellery etc and displays any of the above characteristics eg never takes a holiday is controlling etc and there are financial anomalies or red flags in an area they are involved with or have control, further investigation should be undertaken.

The other common external symptom is substance dependency. Although this may be a more difficult symptom to recognise than the extravagant lifestyle, various indicators throughout the organisation may indicate to the auditor the possibility of employee fraud as a result of substance abuse. There are factors that auditors should be on the look out for, including;

- Office theft
- Odd employee behaviour and recurring accidents

The auditor should question whether there has been in the past or whether there is at present a problem of office theft. Oddly enough, research has indicated that the pattern often begins with the theft of food, the theft of a workers lunch, drink etc is often the first instance of office theft. This then moves up to the theft of wallets, personal items, petty cash and the like. Soon it becomes apparent that office equipment is being stolen and often moves upwards to larger assets including stock, materials and the like.

Further assessment should be made as to employee morale, have particular employees shown signs of a decline in morale coupled with a decline in productivity. Auditors should also take note of the number or work place accidents, injuries, and the employees involved. Again, it is not unusual for people with dependencies to have a higher than normal accident or injury rate at work.

Whilst employee fraud is and can be committed by a single employee or by an organised group the auditor must also be aware that there is potential for substance abuse to spread through to a number of employees within the organisation. Therefore, it is important for the auditor in gathering their understanding of the organisation to also attempt to obtain an understanding of employee relations.

Research has indicated that all too often individuals caught undertaking fraudulent activities were motivated by the experience of personal hardship, either an illness or financial strain. Whilst again this may be a difficult symptom to detect straight off, there is more often than not a confidant or trusted colleague that this individual would confide in an express their personal dilemma. Once again this is where the need to assess and understand the inter-relationship that exists between colleagues and

CONCLUSION

There are many challenges that face educators in the future, yet the hardest challenge to overcome is the realisation that as educators we must be prepared to adapt our curricular activities in line with the continual changes within the corporate environment. One of the greatest mistakes that the accounting profession has allowed, was the disrespect shown towards our very own profession. Either through inability or ignorance, we failed to adequately adapt to the ever changing corporate environment, ultimately losing control and tarnishing the professions reputation. Through AQERP and the Fusion Framework, there has been an intentional movement towards reforming traditional audit curricula at the undergraduate level so to ensure that students are equipped with the necessary knowledge and skills to meet the current regulatory requirements. This paper has attempted to identify the importance that rests with the auditor's ability to detect qualitative red flag indicators of fraud including deceptive behaviour, which coupled with appropriate financial anomalies may be an indication to auditors of not only the existence of employee fraud but also the possible motive. Fulfilling our responsibility as an auditor, not to determine guilt or innocence, far be it from that, but to meet our responsibility of bringing to light any possibility of fraudulent acts being committed or the likelihood of being committed in the future.

The fusion framework has been implemented within the undergraduate auditing and assurance subject at a gradual pace. AQERP advocates[1] that the implementation of the fusion framework requires to be done progressively, and should form part of the traditional audit teaching activities. Thus reiterating the interrelationship that exists between traditional audit procedures and those now required to be held by the auditor.

REFERENCES

Albrecht, W. S. and Sack, R.J. (2000) *Accounting Education: Charting the Course through a Perilous Future*, Accounting Education Series, Volume No.16. Sarasota, Florida: American Accounting Association.

Albrecht, W.S. (2003) *Fraud Examination*, Thomson South-Western.

Arbinger (2000) *Leadership and Self – Deception, Getting Out of The Box*, Berrett Koehler.

Elias, D (2003) *The Report that HIH's Players Fear Begins to Take Shape*, Sydney Morning Herald, February 3.

Jayalaksmy, R et al (2005) *The Changing Role of Auditors*, Managerial Auditing Journal, Volume 20, Number 3, 249 -271.

Makkawi, B. and Schick, A (2003) *Are Auditors Sensitive Enough to Fraud?*, Managerial Auditing Journal, Volume 18, Number 6/7, 591 – 598.

Owen, (2003) *The HIH Royal Commission, The Failure of HIH Insurance*, National Capital Printing Canberra.

Rabon, D (2003) *Investigative Discourse Analysis*, Carolina Academic Press.

Sarup, D (2004) *Watchdog or Bloodhound? The Push and Pull Towards a New Audit Model.* Information Systems Control Journal, Volume 1.

Sexton, E (2003) *Anderson was Misled, but Sloppy Work Didn't Help*, Sydney Morning Herald, April 17.

Wells, J (2005) *Corporate Fraud Handbook, Prevention and Detection*, Wiley Publishers.

[1] Any reference made to AQERP is drawn from current research work that is being conducted.