 Download This Paper (Delivery.cfm/SSRN\_ID2437893\_code806360.pdf?abstractid=1019354&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN\_ID2437893\_code806360.pdf?abstractid=1019354&mirid=1&type=2)

☆ Add Paper to My Library

Share:    

# Real Examples of Why Financial Statement Audits Cannot Detect All Fraud: Insights from an Expert Witness in Major Fraud Cases

27 Pages  
Posted: 6 Oct 2007  
Last revised: 7 Dec 2016

Steve Albrecht (https://papers.ssrn.com/sol3/cf\_dev/AbsByAuth.cfm?per\_id=877253)  
Brigham Young University

Jeffrey L. Hoopes (https://papers.ssrn.com/sol3/cf\_dev/AbsByAuth.cfm?per\_id=806360)  
University of North Carolina (UNC) at Chapel Hill - Accounting Area

Date Written: March 11, 2014


## Abstract

Auditors are expected by the public and to find all financial statement fraud, even though Generally Accepted Auditing Standards (GAAS) have long held that auditors may not be able to detect all frauds. In this article, we use examples from the experience of an expert witness in numerous major fraud cases where auditors were sued for not detecting fraud to illustrate situations in which auditors can, and cannot, reasonably be expected to detect fraud. We discuss factors that can make fraud nearly impossible to discover even when a competent GAAS audit is performed. We also discuss factors that were present when auditors should have detected fraud.

**Keywords:** Expectations gap, fraud examination, hindsight bias, financial statement fraud auditor negligence

**JEL Classification:** M49, K22

[Suggested Citation](#) >  
[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN\_ID2437893\_code806360.pdf?abstractid=1019354&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN\_ID2437893\_code806360.pdf?abstractid=1019354&mirid=1&type=2)

## 15 References

1. W S Albrecht , M B Romney  
Red-Flagging Management Fraud: A Validation  
Advances in Accounting , issue 3 , p. 323 - 333 Posted: 1986
2. W S Albrecht , T Williams  
Understanding Reactions to Fraud. Internal Auditor , p. 46 - 51 Posted: 1990-08
3. American Institute of Certified Public Accountants (AICPA). 1939. SAP No. 1: Extensions of Auditing Procedures Posted: 1939
4. \_\_\_\_\_  
New York: AICPA, 1960. \_\_\_\_\_. 1988. SAS No. 16: The Independent Auditor's Responsibility for the Detection of Errors or Irregularities  
AICPA, 1977. \_\_\_\_\_. 1988. SAS No. 53: The Auditor's Responsibility to Detect and Report Errors and Irregularities Posted: 1960

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (https://www.elsevier.com/legal/cookiepolicy)

0 Citations

Cookie Settings

Accept all cookies

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS	643
ABSTRACT VIEWS	3,220
RANK	79,094

15 References

PlumX Metrics



Related eJournals

Kenan Institute of Private Enterprise Research Paper Series ([https://papers.ssrn.com/sol3/JELJOUR\\_Results.cfm?form\\_name=journalBrowse&journal\\_id=3144545](https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=3144545))

Follow



Corporate & Financial Law: Interdisciplinary Approaches eJournal ([https://papers.ssrn.com/sol3/JELJOUR\\_Results.cfm?form\\_name=journalBrowse&journal\\_id=728843](https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=728843))

Follow



View more >

Feedback

Submit a Paper > (<https://hq.ssrn.com/submission.cfm>)

SSRN Quick Links



SSRN Rankings



About SSRN



(<https://www.facebook.com/SSRNcommunity/>)

([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany\\_493409%2Cidx%3A0](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

(<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>) Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)  
Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)