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Fraud risk as perceived by external auditors: Evidence from Tunisia

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Abstract

Purpose - This study aims to explore the Tunisian external auditors' perception of fraud risk, the process of fraud risk assessment and their responses to it.

Design - Through a qualitative study, the analysis draws on a total of 20 semi-structured interviews conducted with auditors from Big 4 and Non-Big 4 audit firms.

Findings - The results demonstrate the importance given to fraud risk and reveal some ambiguities encountered during the audit engagement regarding this risk. They also highlight the necessity of exercising professional judgment and skepticism.

Research limitations - Even though audit planning involves the nature, extent, and timing of audit procedures, the present work did not take their efficiency into consideration.

Practical implications - Highlighting ambiguities and raising concerns about auditors' responsibilities regarding fraud risk may interest standard setters and audit firms as they both strive to improve the ability of auditors to identify fraud risk and to respond to it appropriately.

Originality/value - Our investigation allows auditors to speak up about their concerns regarding fraud risk and their ability to address it. Interviews were used to deepen our knowledge about this issue within an emerging country, Tunisia.

Keywords Fraud risk, risk assessment, audit planning, Tunisia

Introduction

Over the years, fraud has resulted in huge losses (Tang and Karim, 2019). The last report of the Association of Certified Fraud Examiners (ACFE) states that losses caused by fraud are more than $ 3.6 billion, based on a study of 2 504 cases from 125 countries. The average cost of a single case is more than $ 1.5 million (ACFE, 2020). Fraud is considered a costly misstatement (Chui and Pike, 2013; Kiymaz, 2020), a complicated trickery (Maulidi, 2020) and a serious problem threatening the business world (Aghghaleh *et al.*, 2016; Vousinas, 2019). Its dynamism and complexity accentuate the difficulty of its detection and even more to prove its existence (Vousinas, 2019).

Over the past decades, fraud has constituted an important concern for investors, auditors and regulators (Hammersley, 2011; Kassem, 2014; Fitri *et al.*, 2019), raising thereby the issue of

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auditors' responsibility for fraud detection (Bedard *et al.*, 2001; Holm *et al.*, 2012; Fortvingler and Szívós, 2016). In fact, auditors are required « to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error » (ISA 200).

Much effort has been devoted by accounting standard setters to restore users' trust. Researchers also paid particular attention to fraud, hence becoming one of the most discussed issues in the literature (Tang and Karim, 2019). Indeed, an international auditing standard was especially devoted to fraud (ISA 240). According to this standard, auditors must identify and assess fraud risk and respond appropriately to the risk identified. Previous studies focused on these crucial processes (Fortvingler and Szívós, 2016). However, mixed results have been reported about fraud risk assessment and audit planning as response to this risk (Zimbelman, 1997; Glover *et al.*, 2003; Asare and Wright, 2004; Hammersley *et al.*, 2011; Favere-Marchesi, 2013; Fay *et al.*, 2015; Fortvingler and Szívós, 2016; Mock *et al.*, 2017; Mubako and O'Donnell, 2018; Popova, 2018; Bauer *et al.*, 2020). The purpose of this study is to explore external auditors' perception of fraud risk and their responses to this risk in an emerging country, namely Tunisia.

Focusing on fraud seems interesting in the Tunisian context that is characterized by political and economic changes (Hentati-Klila *et al.*, 2016; Khelil *et al.*, 2016; 2018). Little attention has been paid to the Tunisian context by audit research examining fraud, although it is one of the countries where fraud is quite widespread (Hentati-Klila *et al.*, 2016). In a post-revolutionary setting, and in the presence of various pressures exerted by international organizations (such as the International Monetary Fund), enhancing transparency and struggling against fraud becomes one of the major concerns of the country (Akrout and Damak-Ayadi, 2021).

Prior studies have examined fraud risk assessment and audit planning risk by favoring the quantitative approach. Conversely, the present work relied on a qualitative approach by conducting interviews with Tunisian auditors to gain a deep understanding of their perception of fraud risk and their responses to it. The strength of this approach is its ability to provide «information about the "human" side of an issue». Indeed, « participants have the opportunity to respond more elaborately and in greater detail than is typically the case with quantitative methods» (Mack *et al.*, 2005, pp.1-4). Hence, understanding auditors' concerns regarding fraud risk contributes to the literature dealing with fraud. Our study may also have interesting implications for regulators, audit firms and auditors.

The remainder of this paper is organized as follows. The relevant literature is outlined in the following section. Section three describes the research design. The findings and conclusions are presented in sections four and five, respectively.

Literature review

According to the International Auditing Standard (ISA) 240, fraud is defined as « an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage ». Indeed, «two types of intentional misstatements are relevant to the auditor: misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets » (ISA 240).

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Given its importance, fraud has attracted the attention of many researchers. Some of whom focused on fraud risk assessment and audit planning that are considered to be crucial steps during audit engagement (Fortvingler and Szívós, 2016). Indeed, fraud risk is defined as the possibility of the presence of fraud (Power, 2013), while fraud risk factors are « events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud » (ISA 240).

The identification of a fraud risk may lead to inconsistencies while performing the audit and psychological discomfort to the auditor. According to the theory of dissonance (Festinger, 1957; p. 3), the existence of inconstancy or dissonance makes a person motivated to achieve consonance (consistency) by reducing the dissonance. Besides, in the presence of dissonance, the person avoids situations that may increase it. Indeed, «two items of information that psychologically do not fit together are said to be in a dissonant relation to each other. The items of information may be about behavior, feelings, opinions, things in the environment and so on» (Festinger, 1962, p.93).

Hence, as required by ISAs, auditors have to take into consideration the fraud risk assessed and to respond appropriately to this risk (ISA 240). The relevant research dealing with fraud risk assessment and audit plan modifications is presented in what follows.

Fraud risk assessment

Based on fraud risk factors, auditors can make a preliminary assessment of fraud risk during audit planning (Hammersley, 2011). Several researchers have examined the assessment of fraud risk using experimentation (Knapp and Knapp, 2001; Asare and Wright, 2004, Wilks and Zimbelman, 2004; Carpenter, 2007; Trotman and Wright, 2012; Favere-Marchesi, 2013; Fortvingler and Szívós, 2016; Mock *et al*., 2017; Mubako and O'Donnell, 2018). For example, Knapp and Knapp (2001) reported that audit managers are more effective in assessing fraud risk with analytical procedures than audit seniors. Moreover, Carpenter (2007) found that individual auditors (excepting managers) are not effective at fraud risk assessment before the brainstorming session. However, following this session, the brainstorming audit team becomes more effective at fraud risk assessment.

Asare and Wright (2004) stated that auditors who used a checklist made lower risk assessments compared with those not using one. Wilks and Zimbelman (2004) recognized that decomposing fraud-risk assessments makes auditors more sensitive regarding opportunity and incentive cues when fraud risk is low. Nevertheless, when this risk is high, whether auditors use a decomposition approach or not, they are similarly sensitive to those cues. Favere-Marchesi (2013) extended the study of Wilks and Zimbelman (2004) and found that auditors using fraud-triangle [1] decomposition are more sensitive regarding incentive and opportunity risks compared to auditors using a simple categorization of fraud risk factors. In the same vein, Fortvingler and Szívós (2016) and Mock *et al*. (2017) stated that the fraud risk model helps auditors to assess fraud risk appropriately.

Focusing on evidence sources, Trotman and Wright (2012) reported that fraud risk assessment depends on whether internal evidence is mixed or not. Besides, auditors do not use external evidence when both kinds of internal evidence suggest low fraud risk. Mubako and O'Donnell (2018) showed that auditors who face inconsistent fluctuations (fraud risk contrasted between revenue and cost accounts) assess misstatement risk at lower

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levels, compared with auditors who learned that fraud risk did not contrast (low fraud risk for both accounts).

Fraud risk assessment is considered as an important tool to prevent and detect fraud (Mangala and Kumari, 2017) and helps auditors to make decisions about the necessity of an audit program's modification (Hammersley, 2011). As a result, once fraud risk is assessed, the concern is about the effect of this assessment on audit planning (Hogan *et al*., 2008).

Audit plan modifications

During the planning stage, auditors need to make a preliminary fraud risk assessment (Cormier and Lapointe-Antunes, 2006; Hammersley, 2011). In accordance with fraud risks identified, the nature, extent and timing of the audit program can be adjusted (Cormier and Lapointe-Antunes, 2006). Previous studies examined whether auditors modify their planned audit programs using experimentation (Zimbelman, 1997; Glover *et al*., 2003; Asare and Wright, 2004; Favere-Marchesi, 2013; Fay *et al*., 2015; Fortvingler and Szívós, 2016; Mock *et al*., 2017; Popova, 2018; Bauer *et al*., 2020). Indeed, Zimbelman (1997) reported that the separate fraud risk assessment (as a requirement by SAS N°82) leads to raising the auditor's attention to fraud cues as well as the extent of audit procedures. After the implementation of SAS No. 82, Glover *et al.* (2003) found that auditors are more likely to change the extent of audit procedures by increasing the total budgeted hours as a response to fraud risk.

Asare and Wright (2004) showed that auditors using decision aid (standard audit program) design a less effective fraud detection program compared to those not using it. Favere-Marchesi (2013) reported that the decomposition of fraud risk (based on fraud-triangle) leads auditors to modify their programs and to enhance the extent of audit procedures. The results of Fortvingler and Szívós (2016) proved that higher fraud risk enhances the need to consult with external forensic experts and to increase the extent of testing. However, Mock *et al*. (2017) found that using fraud risk decomposition would not lead to planning more effective audit procedures and enhancing the extent of these procedures.

Fay *et al*. (2015) showed that auditors draw on their awareness of the prior-year audit programs to fraud risk identification and audit planning in case of a continuing client. However, in the other case (i.e., new client and no idea about prior-year testing strategies), auditors tend to focus on generalized risk areas and standard audit programs of their firms. Popova (2018) examined the assessment of material misstatement risks using source-based (i.e., error and fraud risk) or type-based (i.e., inherent, control, and fraud risk) representations of material misstatement risks. The results show that the plans created by the type-based group of auditors are more responsive to fraud risk. Indeed, they are more able to change the extent of audit procedures and the nature of those procedures, and also to make staff adjustments to address high fraud risk.

Bauer *et al*. (2020) focused on the effect of the auditor role and the presence of a prompt to consider fraud risk on audit plan revisions. They found that auditors, as deciders, choose unconventional plans when prompted compared to unprompted deciders who prefer not to make revisions to the audit plans. However, auditors as advisors modify audit plans to address fraud risk effectively.

Although previous studies have attempted to test whether auditors change their audit program in response to an identified fraud risk, the results remain mixed and thus do not permit to draw conclusions as to auditors' ability to make adjustments and their appropriateness

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regarding the risk assessed. The complexity of interpreting standards may explain the absence of universal accounting practices that can be applied worldwide (Miledi, 2021). To shed light and improve our understanding of the process of fraud risk assessment and auditors' responses regarding the risks identified within the Tunisian context, we conducted interviews with external auditors. The research method is discussed in the following section.

Research Methodology

We conducted a qualitative study to gain a deep understanding of the studied phenomena (Parker, 2003). More specifically, we relied on interviews to explore the issue of fraud risk assessment and audit program modification within the Tunisian context. In fact, « interviewing is a conversational practice where knowledge is produced through the interaction between an interviewer and an interviewee » (Brinkmann, 2008, p.470). « The purpose of the interview is to gain a full and detailed account from an informant of the experience under study» (Polkinghorne, 2005, p.142).

When behavior, thoughts and feelings cannot be observed, interviewing as a qualitative method becomes necessary (Patton, 2015; Merriam and Tisdell, 2016). Therefore, this method is used to capture people's experiences (Patton, 2015) and gather their opinions (Creswell and Creswell, 2018). In other words, it allows to «enter into the other person's perspective» (Patton, 2015, p.628)

We selected auditor managers and partners as the population for this study as they are the most involved within audit planning process hence, enabling us to deepen our knowledge about auditor's concerns and to get closer to the problems encountered in practice.

Before starting data collection, pilot interviews were held with two auditors. Their feedbacks were essential to ensure the clarity and consistency of the interview guide. In this study, face-to-face interviews were used. When conducting interviews, we started by presenting our study. Participants were then asked about the assessment of fraud risk and audit planning regarding identified risks. Interviews were carried out loosely to give participants freedom in answering the questions asked or themes discussed (Ross and Squires, 2011).

We conducted semi-structured individual interviews with 20 auditors, namely 5 managers and 15 partners. All the respondents had obtained the national accounting diploma: 11 of them had more than 10 years of experience in the profession (table1). Herein, the samples size was determined based on the concept of data «saturation» «or the point at which no new information or themes are observed in the data» (Guest *et al*., 2006, p.59). Participants were selected through « purposive» and «snowball sampling techniques» considered as «a common practice used in exploratory research» (Ross and Squires, 2011, p.147).

Interviewees were guaranteed confidentiality and anonymity. The majority of participants (15) accepted audio recording. The interviews lasted on average 1 hour and 9 minutes. Subsequently, the interviews, which were conducted in French, were fully transcribed and then translated into English. Finally, a thematic content analysis was performed using NVivo8, based on Miles and Huberman (1994), Patton (2015) and Creswell and Creswell (2018).

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Table 1: Interviewees characteristics

Characteristic	Number of participants	%
Gender:		
- Man	16	80
- Woman	4	20
Position:		
- Manager	5	25
- Partner	15	75
Experience:		
- Less than 10 years	9	45
- More than 10 years	11	55
Audit Firm:		
- Big 4	5	25
- Non-Big 4	15	75

Findings

This section discusses how auditors perceive fraud risk and their concerns regarding this risk. It also focuses on fraud risk assessment and audit planning. Indeed, the data analysis highlights the importance of professional skepticism for fraud risk assessment and audit procedures performance.

Auditors' perception of fraud Risk

While talking about fraud risk, respondents presented some of its features. They highlighted its importance and the frequency of its occurrence. They also discussed the ambiguities associated with its identification, quantification and the distinction between fraud risk and error risk. Finally, participants focused on the auditor's responsibilities.

Importance of fraud risk:

Participants recognized the importance of fraud risk « *just by its nature* » (A12). Therefore, it is considered as « *significant* » (A1) and rated as « *always high* » (A20). This result is not surprising, given that the importance of fraud risk has been highlighted through international auditing standards and previous literature.

Indeed, this shows the importance of fraud and its consequences. It is linked to « *bad faith* » (A5) and represents an « *intentional misstatement* » (A 8), as defined by ISA 240. In addition, fraud is considered as a significant misstatement regardless of its amount. « *There are no limits for fraud, even if it is one dinar* » (A11). Thus, the misstatement detected « *may be insignificant, but reveals heavy aspects afterward* » (A8).

Frequency:

The interviewees mentioned the high probability occurrence of misstatements resulting from fraud. Indeed, « *it is a generalized risk, at the level of all entities ... and at the level of all accounting items and accounts* », explained an interviewee (A13).

Besides, ISA 240 presents a range of situations that may indicate the presence of fraud risk factors. In this sense, an interviewee pointed out that « *it is exciting to give you examples. These are not theoretical examples… they are real ones that can be encountered on a daily basis* » (A9). Therefore, fraud risk is part of the auditor's daily work and can arise in any company and any account.

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Difficulty of fraud risk identification:

Compared to the error risk, the identification of fraud risk « *is more difficult because there is an effort to conceal it* » (A9). In other words, « *it is an unpredictable risk* » (A13) and difficult to identify « *as soon as there is complicity* » (A2). The individual who committed fraud can be described as « *a clever person* » (A9). He « *has an interest in setting up a favorable environment to be able to commit fraud* » (A13). Hence, despite its high probability of occurrence, its detection seems to be hard. The ability of a person who committed fraud to dissimulate his act can further increase the ambiguity of its identification.

Difficulty of fraud risk measurement:

Another difficulty related to the fraud risk has been identified, which is the measurement of the impact of fraud risk. « *It's hard to delineate* », explains an interviewee (A4). This risk « *may sometimes be unquantifiable* » (A8), and its impact « *is not revealed until three or four years later* » (A15). It is, therefore, difficult to measure this risk as it is mainly based on the auditor's judgment.

Difficulty in distinguishing between fraud risk and error risk:

Based on ISA 240, « 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 ». In some cases, auditors are asked to decide whether misstatements are intentional or not. However, this task is considered as « *the most difficult thing; determining the intention of a person* », explains an interviewee (A7). In other words, « *it's very difficult to interpret whether it is a fraud or an error* » (A6). In fact, « *some situations are very complex» (A19). Thus, this task constitutes « an assessment* » (A5) carried out by the auditor. Undoubtedly, deciding on the nature of the risk (fraud risk or error risk) is not such a simple task. Once again, this characteristic proves the importance of the auditor's judgment.

Auditor's responsibility:

The importance given to the fraud risk may also be linked to the auditor's responsibility with regards to fraud or suspected fraud in compliance with the auditing standards. The ISA 240 standard « *presents some requirements which are to be fulfilled during the audit* » (A9). The same interviewee added that « there is an obligation of means and not an obligation of result. This aspect is crucial, especially for the public, because the public confuses things ».

When discussing fraud risk, interviewees spontaneously raised their concern about the requirement to report illegal acts to the public prosecutor in accordance with article 270 of the *Commercial Companies Code*. The auditor may be held criminally liable in the event of failure to comply with this obligation, according to the following article of the same code. In that sense, one interviewee stated that «my concern is my responsibility as a chartered accountant». It is «a heavy decision to make» adds another participant. If an auditor announces that there is a fraud when it is not the case, it is very serious».

These requirements raise a concern for auditors, which corroborates the conclusions of Zouari (2013). This penal obligation was also the subject of a symposium organized in February 2016 within the Order of Chartered Accountants of Tunisia *(OECT)*. This body has, therefore, launched an appeal to revise these two articles and alleviate the auditor's liability in this field.

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Fraud risk is an increasing problem that can affect any company in any country (Vousinas, 2019). The importance given to this risk is not only linked to the intrinsic characteristics of this misstatement but also to the existence of some requirements that have to be taken into consideration by auditors, especially in the presence of fraud. Results thus show that the presence of fraud risk may lead to dissonance and psychological discomfort (Festinger, 1957).

Fraud risk assessment and audit plan modifications

Based on ISA 240, auditors are called « to identify and assess the risks of material misstatement of the financial statements due to fraud ». They have « to respond appropriately to fraud or suspected fraud identified during the audit ». In what follows, we will provide a better understanding of how the fraud risk assessment and planning processes are carried out to respond to this risk.

Fraud risk assessment:

Auditors recognize the importance of «professional judgment» to identify and assess fraud risk. An interviewee explained that « *there is always a standard, but there is room for professional judgment* » (A9). Indeed, « *it is not an exact science* » (A14). This is « *professional judgment rather than mathematical formulas to identify risk* » (A6). Moreover, « *it must be well-documented* » (A9). The same auditor explains that « everyone has his own arguments and tries to be objective. But in the end, every job involves a certain degree of subjectivity. However, it is better to minimize this subjectivity, whatever his decision, the judgment must be supported by evidence ».

However, this assessment doesn't represent the final judgment, but rather « *it is evolutionary* » (A10). So, « *risk assessment is an iterative process, it is dynamic throughout the audit, the more you advance in the audit process, the more elements you will discover that will allow you to refine your risk assessment* » (A13).

Audit plan modifications:

The auditor has to respond appropriately to the assessed risks (ISA 240). Several interviewees recognized that « *audit planning takes into account this fraud risk* » (A6) and « *everything depends on the identified* risk » (A14). In the presence of a « *significant fraud risk, further investigation will be performed to examine these areas of risk* » (A6). In other words, it « *requires additional work* » (A15). This risk « *will in fact, lead to the adoption of specific procedures » (A1) and to implement an « appropriate investigation program* » (A12). As a result, « the auditor shall design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level » (ISA 240, ISA 330).

The nature of procedures « may need to be changed to obtain audit evidence that is more reliable and relevant or to obtain additional corroborative information. This may affect both the type of audit procedures to be performed and their combination» (ISA 240). In compliance with audit standards, the interviewees recognized that to respond to fraud risk, the auditor can « *adapt the nature of the procedure to the risk* » (A5) and « *perform specific controls regarding fraud* » (A12).

In this instance, « *substantive procedures must be applied through a magnifying glass* » (A18). Also, « c*ross-checking techniques* » (A3) can be used. Audit evidence from sources

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outside of the entity may help auditors to respond to the assessed risks. Hence « *external confirmations* » (A18) can be designed, especially « *the circularization of customers and suppliers* » (A15).

Changing the extent of audit procedures may also be used as a response to fraud risk. An auditor has « *to push tests, procedures and audit plan* » (A1) and « *whenever the risk assessment changes ... the audit program changes, the scope changes ...* » (A13).

The presence of a fraud risk may lead to « *an additional budget* » (A2). Indeed, « *the time allocated to an item can be multiplied by two or three. I'm talking about time expressed in man-day* », explains an interviewee (A12). For example, the time budget « *should have been 15 days, and it has become two months* », added another interviewee (A19).

Sample size can also be extended. « *The fraud risk... will take part in the determination of the sample* », stated an interviewee (A1). The audit can be even exhaustive. The auditor « *can reach up to 100%. ... as long as the risk exists* » (A11) and « *covers all the fields that may be affected by fraud .... and enlarges the sample* » (A12).

However, the interviewees recognized that in practice, it is difficult to change the audit schedule. Indeed, one interviewee (A2) explained that «*the schedule will not change: the intervention date.... the schedule is set at the beginning of the year, when will we intervene? ...*». Hence, « *interventions must be planned* » (A17). The setting of the schedule is not left to the sole control of the auditor, but it « *also depends on the availability of the client* », explained the same participant.

In short, auditors have to exercise professional judgment to assess and identify risks. They « shall treat those assessed risks of material misstatement due to fraud as significant risks » and perform «audit procedures responsive to assessed risks » (ISA 240). However, responding to fraud risk identified and assessed is not such an obvious task, « *i.e., it's not that static* », explained a respondent (A6). Hence, auditors face difficulty making decisions when planning an audit to deal with fraud (Bauer *et al*., 2020).

Fraud risk and the importance of professional skepticism

In discussing the fraud risk identification and the performance of appropriate responses to assessed risks, the auditors stressed the importance of professional skepticism. Hurtt (2010, p.151) defines professional skepticism as « a multi-dimensional construct that characterizes the propensity of an individual to defer concluding until the evidence provides sufficient support for one alternative/explanation over others ». It is « an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence » (ISA 200).

First, « *someone who is more skeptical is more sensitive to risk* », explained an interviewee (A12). Accordingly, skepticism allows making « *the difference between a well-founded judgment and an arbitrary one* » (A7). In other words, « *skepticism ... is essential to assess, identify, detect, and address the fraud risk* » (A1).

Furthermore, the interviewees recognized the importance of professional skepticism to respond to the risk assessed. « *It will systematically influence the investigation program and the scope of control* » (A12). Hence, « *through skepticism, you will examine areas of risk in an engagement... to which special attention must be paid... conduct procedures to verify, identify possible fraud or errors, and to be able to estimate them; estimate their effect on the financial statements* » (A6).

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The importance of professional skepticism is also emphasized by regulators and researchers (Hurtt, 2010; Glover and Prawitt, 2014; Olsen and Gold, 2018). Particularly, the presence of complex accounting estimation heightens the need to exercise professional skepticism (Miledi, 2021). Hence, maintaining professional judgment and exercising professional judgment throughout the audit planning and the performance of procedures are required by ISAs (ISA 200). Specifically, « due to the characteristics of fraud, the auditor's professional skepticism is particularly important when considering the risks of material misstatement due to fraud » (ISA 240).

Conclusion

The present paper aims to understand the auditors' perception of fraud risk and their responses to this risk while planning the audit. To achieve this objective, we used semi-structured interviews as a qualitative method. We conducted 20 interviews with external auditors (managers and partners).

Our data analyses began with presenting fraud risk features, namely its importance, the frequency of its occurrence and the complexity of its detection. Moreover, our interviewees highlighted some ambiguities regarding the quantification of this risk and the ability of auditors to distinguish between fraud risk and error risk. Additional concerns were raised about auditor's responsibilities, especially in the presence of fraud.

The results highlighted the importance of professional judgment when performing a fraud risk assessment. The assessment of this risk is followed, when necessary, by a modification of the audit plan, especially regarding the nature and the extent of audit procedures. The results also showed the necessity of exercising professional judgment to decide about the nature, timing, and extent of audit procedures to perform. Furthermore, our study demonstrated the importance of professional skepticism. Maintaining professional skepticism is crucial throughout the audit planning, especially to respond to identified fraud risk.

This study adds to the literature on fraud risk illustrating its importance and the necessity of exercising professional judgment and maintaining skepticism. Also, previous studies mainly used experimentation as an investigation method (Zimbelman, 1997; Glover *et al.*, 2003; Asare and Wright, 2004; Hammersley *et al.*, 2011; Mock *et al.*, 2017; Mubako and O'Donnell, 2018; Bauer *et al.*, 2020). The present paper is distinguished by its qualitative approach to understand auditors' perception of fraud risk and their responses to this risk.

Moreover, this study responds to the various calls to provide further clarification of current audit practices (Hopwood, 1998; Power, 2003; Humphrey, 2008; Gendron and Spira, 2009; Skærbæk, 2009; Miledi, 2021). Despite the importance attached to fraud risk in the previous literature and auditing standards, its identification and the response to this risk remain a rather complex task in practice and not that static. Particular attention must be paid by audit firms to ensure that audit teams can address and respond to these risks, hence the necessity for organizing training and brainstorming sessions regularly. Moreover, our respondents spontaneously raised their concern about the auditors' responsibilities regarding fraud detection, which is of crucial importance to standard setters.

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The extent of audit procedures may be modified to respond to assessed risks. The efficiency issue, which is of interest to audit firms, was not taken into account in the present research presenting thus a limitation. In fact, « underestimating the quantity of work that needs to be done may result in serious reputation and legal costs, while overestimating it on the other hand reduces the efficiency of the audit » (Cormier and Lapointe-Antunes, 2006; p. 143-144). Therefore, this may be the subject of a future study. Another limitation is that this research focused on the perception of external auditors only. Future studies could improve our results by exploring the views of internal auditors, who are also concerned about fraud.

Note

1. The fraud triangle encompasses the three criteria necessary for fraud occurrence: pressure, opportunity, and rationalization (Cressey, 1950; 1953). This model is still used to examine accounting fraud (Montesdeoca *et al*., 2019).

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