Audit Inquiries and Deception Detection: Standards, Research, and Guidance

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Abstract

During each phase of an audit, members of the engagement team ask numerous questions of personnel of the organization being audited, the answers to which may affect both the course and outcome of the audit. An understanding of the psychology of lying/deception can assist auditors in evaluating verbal responses to audit inquiries and thereby lessen detection risk. A large body of literature suggests that people are only about 4% better than chance at identifying deception. This paper provides a review of audit inquiry standards and past research on deception detection. Further, this paper specifically addresses the importance of veracity judgments in four key areas of the audit: audit planning, fraud risk consideration, the understanding of internal controls and its effectiveness, and the collection of audit evidence. In addition, this paper provides guidelines that can assist auditors in making more accurate judgments of truth or deception.

Keywords: Audit inquiries, deception detection, detection risk, audit red flags, veracity, lying.

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