4.62 **Auditing Standards Review.** Management fraud (fraudulent financial reporting) is not the expected norm, but it happens from time to time. In the United States, several cases have been widely publicized. They happen when motives and opportunities overwhelm managerial integrity.

1. What distinguishes management fraud from a defalcation?
2. What are an auditor's responsibilities under auditing standards to detect management fraud?
3. What are some characteristics of management fraud that an audit team should consider to fulfill the responsibilities under auditing standards?
4. What factors might an audit team notice that should heighten the concern about the existence of management fraud?
5. Under what circumstances might an audit team have a duty to disclose management's frauds to parties other than the company's management and its board of directors')

(AICPA adapted)