Auditing the auditors: When it comes to reporting corporate fraud where does the buck actually stop?

Are auditors the only ones responsible for reporting corporate fraud? While regulators expect them to take a more active role and more measures are in the offing, where does the buck stop?

Srinivasa Rao, Leader and Partner-Risk Advisory Services at CA firm Nangia & Co LLP, agrees that the auditor has various options such as issuing a modified audit opinion that clearly states the nature and extent of the disagreement and its impact on the financial statements. Alternatively, they can communicate the disagreement and its implications to the audit committee, board, shareholders as well as to relevant regulators and authorities or recommend corrective actions to the management and the audit committee.

Pratip Mazumdar, Partner at Inflexor Ventures notes that though the job of identifying fraud rests with the auditor, ultimately the buck stops at the board level.

"It's the duty of the Board to approve and institutionalise adequate checks and balances in the financial processes, timely completion of accounts, taking periodic stock of internal audit reports along with ATR (action taken reports). Auditors should always present their findings independently first to a sub-committee of investors and/or non-exec board members."