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Auditors' experience with corporate psychopaths

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Auditors’ experience with corporate psychopaths

Abstract

Purpose – The purpose of this paper is to analyse auditors’ experience with corporate psychopaths in their client management.

Design/methodology – The research was conducted as a survey among Danish state-authorized auditors, to which 179 auditors responded, representing 9% of the total population.

Findings – Of the participating auditors, 69% had experienced corporate psychopaths in their client management and 70% of these had experienced more than one case. In addition, 43% of the auditors who had experienced psychopathic managers reported that they had committed fraud. The vast majority of cases were detected in the execution and completion phases of the audit and resulted in increased professional scepticism, the use of more experienced auditors and the requirement for more and better audit evidence.

Research implications – The findings confirm that corporate psychopaths actually exist and are a phenomenon worthy of research attention in areas such as accounting, auditing, internal control, fraud investigation, performance management and human resource management.

Practical implications – As auditors are likely to come across corporate psychopaths from time to time in their careers, awareness of this type of risk needs to be increased and better integrated into the risk assessment in audit planning. Auditing standards relating to fraud also need to be updated according to the latest developments in fraud theory.

Originality/value – This is the first research to address auditors’ experience with corporate psychopaths. It adds value by confirming the relevance of the topic for practice and research.

Keywords Fraud, financial statement fraud, auditing, corporate psychopaths, fraud theory, fraud triangle

Paper type Research paper

Auditors' experience with corporate psychopaths

1. Introduction

The purpose of this paper is to analyse auditors' experiences with corporate psychopaths in their client management. A number of recent management frauds may be ascribed to corporate psychopaths in management positions and awareness of this type of personality disorder has informed recent developments in fraud detection models for auditors. However, little is known about the actual occurrence of psychopaths in management positions and the way they interact with their auditors. The paper seeks to fill parts of this gap in knowledge by investigating auditors' experience with corporate psychopaths. Auditors interact with top management in almost all major corporations, auditing the results of managements' work as represented in financial statements. In cases in which corporate psychopaths have made it to the top, auditors are therefore likely to be the subjects of their manipulative or coercive behaviour. Auditors are thus likely to notice the existence of corporate psychopaths in the case that they exist.

Psychopathy is a personality disorder in which the primary characteristics are a grandiose sense of self-worth combined with a complete lack of guilt, conscience and empathy: psychopaths have no remorse about harming others physically or otherwise to obtain money, power, or status. The psychopath often appears superficially charming and is generally very good at manipulating and lying to obtain a desired outcome. They have a relatively short time horizon and are generally not good at achieving long-term objectives. When things go wrong, they fail to take responsibility for their actions (Hare, 1996). The general traits of psychopathy are listed in Table 1.

Insert Table 1 around here.

Whereas early research focused on criminal psychopaths, recent years have seen an increased interest in the non-violent type, achieving their desired objectives by entering business or public sector organizations (Babiak and Hare, 2006). This type is usually referred to as the organizational or corporate psychopath (Boddy, 2006), the latter term being used henceforth in this paper. Corporate psychopaths enter business organizations easily because their charm and ability to manipulate makes them perform very well at job interviews. When inside, they manipulate and cheat their way up the corporate ladder by identifying patrons whom they cultivate, pawns whom they ruthlessly use and shed and members of policing institutions (such as auditors) whom they need to convince or circumvent.

A number of financial statement fraud cases in recent decades have directly or indirectly been ascribed to the work of corporate psychopaths (Boddy, 2011a; Boddy *et al.*, 2010; Pardue *et al.*, 2013a; 2013b; Zona *et al.*, 2013). The lack of guilt is conspicuous in some of these cases. For example, the judge sentencing Barry Minkow for the ZZZZ Best fraud described him as a man without a conscience and many of the affinity frauds, such as the Bernie Madoff case, are characterized by the perpetrator's lack of social conscience and conventional morality (Perri and Brody, 2012). A grandiose sense of self-worth is also apparent in many cases. In the Sunbeam case for instance, Hatfield and Webb (2010) describe Al (aka Chainsaw Al) Dunlap's personality as being highly intimidating, with frequent episodes of shameless self-promotion, in which he referred to himself as a superstar. Furthermore, Dunlap had a "fondness for firing people" (Cherry, 2004: 64) and a lack of compassion for them. In the WorldCom case, Bernie Ebbers was considered a "risk-seeking, free-spending, over-zealous, deal maker" who created an autocratic corporate culture in which leaders and managers were not to be questioned (Zekany *et al.*, 2004: 102). In the case of Enron, Sims and Brinkmann (2003), McLean and Elkind (2004), Benston (2006) and Pardue *et al.* (2013a) argue how the example set by top management, in particular CEO Jeff Skilling, deliberately encouraged a culture characterized by individualism, aggressiveness, greed, ruthlessness, a will to win at all costs, excessive risk taking, a short time horizon and an appreciation for circumventing the rules. A culture such as this certainly benefits those with psychopathic traits. Many of the perpetrators in these fraud cases have also been masterful manipulators. This is, for instance, the case with Barry Minkow. After serving time for the ZZZZ Best fraud, Minkow (originally Jewish) was released as a born-again Christian and became a church pastor and later founder of a fraud investigation firm, only to commit fraud again in both capacities.

In addition to the view of corporate psychopaths as individuals deviating from accepted norms, other writers warn that psychopathic traits are increasingly becoming the norm in business. Bakan (2004: 56–57) takes the psychopathy discussion to the meta level, arguing that the modern corporation generally displays psychopathic traits, such as irresponsibility, manipulativeness, grandiosity, superficiality and a lack of empathy and remorse. Boddy (2011a) presents a theory according to which corporate psychopaths played a major part in causing the global financial crisis. He argues that the change from stable corporations, in which individuals had life-long careers, to the present volatile business environment, in which employees frequently change jobs and employers in order to maximize their remuneration, has given corporate psychopaths greater opportunities to flourish and advance in the hierarchy relatively unopposed. Corporate psychopaths have been attracted particularly by financial institutions, in which their charm and cool decisiveness have given them good chances of rapid promotion. Combined with performance-based remuneration, this has promoted excessive risk taking and led to a deteriorating moral climate, which in turn resulted in the global financial crisis.

In spite of the theoretical interest in the concept of corporate psychopathy, there is relatively little research on the actual occurrence of corporate psychopaths. However, the research that has been done seems to confirm the theory that psychopaths are attracted to organizations such as corporations and the military, where their desire for power over other people is easily achievable. Thus, while Hare (1996) reports that around 1% of the general population meets the clinical criteria for psychopathy, Babiak *et al.* (2010) in a study of US managers and executives selected for a management development programme, found that 5.9% of the participants were "potential" or "possible" psychopaths. The research further revealed that the corporations considered these persons to possess good communication skills, strategic thinking and creative/innovative ability, but at the same time to have a poor management style, a failure to act as team players and poor performance appraisals. In a study of Australian commercial organizations, Boddy *et al.* (2010a) found a 3.5% estimated incidence at corporate senior management levels, 2–3% at middle management level and 1% at junior level. On the basis of the same empirical material,[1] Boddy (2010) found that 32.1% of staff had worked with a manager whom they would characterize as a corporate psychopath and 5.75% were currently working with such a manager. He also found that employees in government (including the military) and finance were significantly more likely to have encountered corporate psychopaths than employees in other organizational types. In the organizations in which corporate psychopaths were present, employees reported significantly more cases of conflict, unfavourable treatment, workplace bullying, counterproductive work behaviour and a negative influence on all measures of corporate social responsibility and of organizational commitment to employees (Boddy, 2011b; Boddy, 2014; Boddy *et al.*, 2010b).

The increasing awareness of corporate psychopathy is reflected in recent developments in fraud theory. For quite a number of years, the fraud triangle has been the prevalent model used by auditors and others to assess fraud risk in corporations and it still forms the basis for the International Standard on Auditing concerning this issue: ISA 240[2]. The fraud triangle considers fraud to occur when a) an opportunity to commit fraud exists, b) there is an incentive or pressure to commit the fraud and c) the perpetrator is able to rationalize or justify the fraud. The perceived opportunity is considered to consist of two elements: the general information that the employee's position of trust could be violated and the technical skills needed to commit this violation (Wells, 2014). Pressures may be characterized as personal (e.g. personal debt), work-related (e.g. performance measurement), or external (e.g. conforming to market expectations). A study of fraud cases in the UK financial sector found that in frauds perpetrated by senior management, the

[1] 346 white collar respondents from Australian commercial organizations.

[2] International Standard on Auditing 240: the auditor's responsibilities relating to fraud in an audit of financial statements. The fraud triangle appears in Appendix 1 of the standard.

pressures are primarily work-related and external, thus indicating a certain emotional attachment and loyalty to the firm (Hollow, 2014). In these cases, senior management appear to be what Dorminey *et al.* (2012) call “accidental fraudsters”, i.e. otherwise law-abiding citizens who succumb to committing fraud as a result of pressures and because the fraud can be rationalized. There are nevertheless a number of cases in which the need to rationalize the fraud is not present, i.e. where the perpetrator seems to commit the fraud whenever the opportunity is present. Dorminey *et al.* (2012) call these people “predators” and suggest that arrogance and a criminal mindset replace financial pressure and rationalization in the fraud triangle in such cases. The lack of a need for rationalization indicates a lack of conscience and the predator therefore appears to have distinct psychopathic traits. To detect corporate psychopaths and other less radical forms of social engineering, auditors will therefore need to develop a better understanding of the psychology of fraud (Brody *et al.*, 2012; Murphy and Dacin, 2011; Ramamoorti, 2008).

Whereas the previous studies are based on insiders’ view of the occurrence of corporate psychopaths in a limited number of specific corporations, this paper aims to gain an overview of the occurrence of the phenomenon by adopting an outsider’s view. Auditors interact with top management in almost all major corporations, auditing the results of managements’ work as represented in financial statements. In cases in which corporate psychopaths have made it to the top, they are likely to manipulate the financial statements and/or to circumvent or override internal controls. Auditors are therefore likely to notice the existence of persons with psychopathic traits. By asking auditors about their experiences with corporate psychopaths, we are thus likely to obtain a better overview of the general occurrence of this phenomenon. Accordingly, the purpose of the research is primarily to analyse auditors’ experiences in their client management with individuals exhibiting psychopathic personality traits and secondarily to analyse the implications of these findings for auditors’ assessment of the fraud risk associated with corporate psychopaths.

2. Research method

The research was conducted as an Internet-based survey in Denmark. A number of audit firms were contacted to obtain email addresses for their auditors. With the help of the audit firms, this resulted in the identification of 750 individual Danish state-authorized auditors[3] from 25 different audit firms. The sample represents 37% of the state-authorized auditors in public practice at the time at which the survey was conducted. A total of 176 auditors responded, equivalent to a response rate of 23% and representing 9% of the total population. Of the 176 responses, 51% came from Big Four audit firms and 49% from smaller audit firms. The vast majority (90%) of the respondents were male, which is representative of the general sex

[3] The Danish equivalent of US certified public accountants or UK/Canadian chartered accountants in public practice.

ratio among Danish state-authorized auditors. The majority of the respondents were senior partners, 65% having more than 10 years of experience as state-authorized auditors, 24% with 5–10 years of experience and only 11% less than 5 years of experience. Before qualifying as state-authorized auditors, they are likely to have had 3–10 years of experience as auditor assistants at various levels in the audit firms,[4] so all the respondents had considerable experience.

The questionnaire starts by defining the traits of psychopathy as outlined in the first section, emphasizing that the following questions are to be answered with these traits in mind. After this, there are 10 questions, of which the first three ask for background information on the respondent's sex, seniority and audit firm affiliation. The remaining questions are as follows:

- Q4: In your career as an auditor, have you come across client firms in which managers exhibited psychopathic traits? If yes, how many cases?
- Q5: In the three most important cases you recall, which personality traits did the individual exhibit?
- Q6: Further questions about the individual's sex, the size of the company in which the individual was employed and in which phase of the audit the auditor became acquainted with the case.
- Q7: Did knowledge about the person's behaviour affect the audit? If yes, how?
- Q8: In your experience, is the problem of psychopaths related to particular industries? If yes, which?
- Q9: Is an assessment of the management's behaviour an integrated part of the way your audit firm plans and conducts an audit? If yes, how?
- Q10: Have you experienced fraud cases in which the fraud was committed by a person with psychopathic traits?

The findings from the survey are analysed in section 3, while section 4 concludes and discusses the implications for research and practice.

3. Results

Table 2 presents the results of question 4 regarding the experience of managers with psychopathic traits and relates these to the size of the respondent's audit firm.

Insert Table 2 around here.

Overall, some 69% of the state-authorized auditors replied that they had experienced such cases. This confirms that the issue of corporate psychopaths is more than just a fad in the popular management literature and certainly confirms the relevance of the topic for auditors. Table 2 also shows that there are

[4] For a discussion of the Danish system for the education and qualification of auditors, see Jeppesen and Loft (2011).

more auditors in Big Four firms who have experienced managers with psychopathic traits than in the smaller audit firms. As the Big Four firms audit larger clients, this may be seen as an indication that the problem is more frequently encountered in large corporations than in small. This is in line with theory on corporate psychopaths, which emphasizes that corporate psychopaths need companies of a certain size and structure to be able to gratify their desires and hide effectively (Babiak and Hare, 2006).

As external auditors are primarily interested in detecting and preventing material errors in the financial statements, it is of interest to see whether the 121 auditors who had experienced managers with psychopathic traits also reported that this led to fraud. Table 3 addresses this topic.

Insert Table 3 around here.

As can be seen, 43% of the auditors who had experienced psychopathic managers also experienced fraud committed by these persons. This certainly confirms that persons with psychopathic traits are a fraud risk to the company and that auditors should therefore pay attention to this when assessing the risk of fraud as part of the audit planning. Although 40% of the auditors did not report having experienced fraud committed by managers with psychopathic traits, their existence in corporations should still lead to concerns about management's integrity and the quality of audit evidence it provide. Table 3 also shows that although the problem is of relevance for all sizes of audit firms, more fraud cases seems to be experienced in non-Big Four audit firms.

Given that a relatively low proportion of psychopaths are to be expected among managers (probably less than 5%), senior auditors are more likely to have had experiences of psychopaths than younger auditors because their seniority means that they have been exposed to more managers. In Table 4, the experience with corporate psychopaths is listed according to the auditor's seniority.

Insert Table 4 around here.

Table 4 supports the assumption that senior auditors are more likely to have experienced corporate psychopaths, indicating that the experience of corporate psychopaths is not an everyday phenomenon. Table 5 sheds further light on the frequency of corporate psychopaths, reporting the findings from question 4 regarding the number of psychopathic cases experienced.

Insert Table 5 around here.

Of the 121 auditors who had encountered managers with psychopathic traits, 25% had experienced one case only, whereas 70% had experienced more than one, with 2–5 cases being the most common. An examination of the 68 respondents with experience of 2–5 cases shows that 77% of these had more than 10 years of experience as state-authorized auditors, with the smaller audit firms being overrepresented. Similarly, of the 17 respondents who had experienced more than five cases, 88% had more than 10 years of experience and here Big Four auditors are overrepresented. These results indicate that there may be years between auditors' encounters with corporate psychopaths. With few encounters, auditors are less likely to be alert to corporate psychopaths and therefore need to include awareness of the possibility in their notion of professional scepticism and in their standard procedures to assess fraud risk. When assessing the risk, it is also worth noting that in 93% of the cases recalled, the individual concerned was male. Contrary to what was expected, they were employed in all sizes of companies, with 49% of the cases being encountered in small companies, 39% in medium-sized companies and only 12% in large companies. Furthermore, 73% of the respondents who had experienced corporate psychopaths did not think that psychopathic behaviour was related to specific industries and only 6% found this to be the case. The industries mentioned by these respondents were construction, banking and finance, and IT and telecommunications.

Table 6 lists the psychopathic personality traits experienced by auditors in the cases they recalled.

Insert Table 6 around here.

The five most common traits are lack of responsibility for own actions, lack of conscience, deceitfulness, a grandiose feeling of self-worth and lack of empathy. These are affective and interpersonal psychopathic traits. Whereas the latter are easily observable even for an outsider to the organization, the affective traits probably require more interaction to become observable. This may be the reason that the majority of these cases were detected in the late phases of the audit (see Table 7).

Insert Table 7 around here.

The fact that the vast majority of cases are found in the execution or completion phases of the audit highlights the difficulties in assessing the risk of psychopathic behaviour in the client acceptance or planning phases of the audit. When asked whether an assessment of management's behaviour is an integrated part of the way in which the audit is planned and executed, 80% of the auditors replied "Yes" and only 9% "No". This is an indication that there is potentially room for improvement in the fraud risk assessment process to detect problems at an earlier stage. In 15 of the 18 cases in which the auditor became aware of psychopathic behaviour in the client acceptance phase or the planning phase, the auditor had more than 10 years seniority. Supplementing the findings in Table 4, this illustrates the importance of experience in detecting corporate psychopaths and stresses the need for the involvement of senior partners in the planning phase of the audit. Panel A in Table 7 also reveals that while there are no differences in the client acceptance and planning phases of the audit, Big Four firms appear to be more aware of corporate psychopaths in the execution phase of the audit, other audit firms becoming aware in the completion phase. The reason for this is apparently not to be found in differences in client size between Big Four and other audit firms (cf. Table 7 Panel B), so the reason is more likely to be found in differences in audit techniques or in the timing of the approach to the client regarding critical audit findings. These issues were not part of the study. Furthermore, according to Panel B in Table 7, it appears that the smaller the client, the more likely the auditor is to detect the corporate psychopath at an early stage. There are several potential reasons for this, one being that these firms are often owner-managed. In cases in which the owner-manager is misbehaving, the auditor is obviously more likely to discover this at an early stage of the audit than in larger companies, where ownership and management are normally separated.

For the 121 auditors who had experienced psychopathic behaviour, the next question was whether this knowledge influenced the way in which their audit was conducted. Table 8 reports the findings of this, related to whether the psychopathic behaviour resulted in a fraud case.

Insert Table 8 around here.

Table 8 shows that 68% of the auditors replied that their audit was influenced by their client's psychopathic behaviour and this was not dependent on whether or not a fraud was being perpetrated. Thus, it is clear that the observation of psychopathic traits in client management is considered a fraud risk, which should have a serious influence on the way the audit is conducted according to ISA 240. The questionnaire had an optional field for additional comments on how this influenced the audit, completed by 82 of the 121 auditors. The most common responses were that the psychopathic behaviour led the auditor to increase professional scepticism, bring in more experienced auditors, expand the audit/do more substantive testing, and require more and/or better audit evidence. These are also some of the common reactions suggested by ISA 240, so the auditors seem to be responding properly to the identified risks.

4. Conclusion and implications

The study shows that 69% of the senior Danish state-authorized auditors who participated in the survey had experienced corporate psychopaths in their client management, with 70% of these having experienced more than one such case. The experience of corporate psychopaths is much higher among auditors who have long experience and slightly higher for auditors from Big Four firms. In addition, 43% of the auditors who had experienced psychopathic managers reported that these persons had also committed fraud, whereas for 40% this was not the case. The vast majority of the cases of psychopathic behaviour were found in the execution and completion phases of the audit, with only a few found in the client acceptance or planning phases. The most common personality traits observed were failure to accept responsibility for own actions, lack of conscience and deceitfulness. Consequently, the study supports the view that the interest in corporate psychopaths in recent years deserves to be taken seriously in research and practice.

The study's conclusion that auditors occasionally experience corporate psychopaths may have implications for research in areas such as accounting, auditing and internal control, as well as in neighbouring disciplines such as performance evaluation and human resource management. In relation to accounting research, the conclusion calls for more research into how corporate psychopaths manipulate accounting systems, the types of fraud they commit and the types of error this causes in financial reporting. It would also be interesting to see whether corporate psychopaths are attracted by particular industries, company sizes or other organizational characteristics, and not least whether they are attracted by companies which use relatively subjective accounting principles, such as fair value accounting for example. In auditing, the findings highlight the need for critical research into practices related to the board's control of management and the quality of auditing of this, as well as into the extent and the types of social engineering taking place to manipulate performance evaluation systems and the human resource management process.

The study provides some empirical support for the proposed new fraud diamond theory (Dorminey *et al.*, 2012), which emphasizes the need to detect "predators" with psychopathic traits to assess the risk of fraud. However, awareness of the problem is only the starting point for better fraud risk assessments and more research is needed into how these predators are effectively identified in order to detect and prevent fraud. Such research may also focus on the issue of mobility between the "accidental fraudster" and "predator" categories to assess if – and under what circumstances – individuals with a conscience may develop an arrogant and criminal mindset. Knowledge concerning this is important to aid in developing appropriate internal controls and incentive systems.

In terms of implications for audit practice, the study has shown that as auditors are likely to come across corporate psychopaths from time to time in their career, their awareness of the risk needs to be increased. This has implications for all levels in the audit firm. Assignment partners need to be better able to assess problems in the client acceptance phase and/or as part of the fraud risk assessment in the planning phase. Engagement teams need to consider the risk of corporate psychopaths as part of their discussion of fraud risk (cf. ISA 240 para. 15). This may, for instance, be done either by assessing top management's integrity on the basis of their actions, by asking employees at the levels below top management whether they have been forced to engage in unethical behaviour, as suggested by Wells (2001), or by checking the backgrounds and diplomas of those in top management positions as corporate psychopaths are very likely to lie about these to get the job in the first place. More generally, the findings emphasize the need for both internal and external auditors to pay more attention to the human resource management process as the first line of defence against corporate psychopaths. Another important implication for practice that follows from this study is that it highlights the need for a resigning auditor to share knowledge with the new auditor in cases in which an auditor resigns as a consequence of management's lack of integrity. The study's findings are also a clear indication of the need for an update of ISA 240, which is still based on the fraud triangle theory and therefore does not directly require the auditor to consider the possibility of corporate psychopaths. Such an update should be based on more recent fraud theory, for example the new fraud diamond theory (Dorminey *et al.*, 2012).

There are some limitations to the generalizability of this study. First, it was conducted in a setting characterized by a high number of SMEs and therefore is not necessarily representative of larger countries with a different business structure. Second, the findings are based on auditors' recollection of cases, meaning that details may have been forgotten and the auditors may have been attempting to rationalize their own actions. Thus, the findings are not evidence of the actual occurrence of corporate psychopaths and are therefore not directly comparable to the work of Babiak *et al.* (2010), for example. To obtain comparable results, research using the Hare Psychopathy Checklist: Screening Version (PCL–SV) is needed. However, it may well be compared to other studies based on experience such as Boddy (2010). Thus, while the findings are not universally generalizable, they nevertheless indicate the relevance of further research into the occurrence and impacts of corporate psychopaths.

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Tables

Table 1: Domains and traits of the psychopath

Interpersonal:	**Affective:**
Superficial	Lacks remorse
Grandiose	Lacks empathy
Deceitful	Doesn't accept responsibility
Lifestyle:	**Antisocial:**
Impulsive	Poor behavioural controls
Lacks goals	Adolescent antisocial behaviour
Irresponsible	Adult antisocial behaviour

Babiak and Hare (2006: 27)

Table 2: In your career as an auditor, have you come across client firms in which managers exhibited psychopathic traits?

	Yes	No	Do not know	Total
Big Four	65 (73%)	23 (26%)	1 (1%)	89 (100%)
Other audit firm	56 (64%)	29 (33%)	2 (3%)	87 (100%)
Total	121 (69%)	52 (29%)	3 (2%)	176 (100%)

Table 3: Have you experienced fraud cases in which the fraud was committed by a person with psychopathic traits?

	Yes	No	Do not know/blank	Total
Big Four	24 (37%)	27 (42%)	14 (21%)	65 (100%)
Other audit firm	28 (50%)	21 (38%)	7 (12%)	56 (100%)
Total	52 (43%)	48 (40%)	21 (17%)	121 (100%)

Table 4: Experience of psychopathic traits according to seniority as a state-authorized auditor

	Yes	No	Do not know	Total
< 5 years	5 (26%)	13 (68%)	1 (6%)	19 (100%)
5 to 10 years	25 (60%)	16 (38%)	1 (2%)	42 (100%)
> 10 years	91 (79%)	23 (20%)	1 (1%)	115 (100%)
Total	121 (69%)	52 (29%)	3 (2%)	176 (100%)

Table 5: How many cases have you experienced in which managers exhibited psychopathic traits?

	Blank	1 case	2–5 cases	More than 5 cases	Total responses
Big Four	4 (6%)	13 (20%)	35 (54%)	13 (20%)	65 (100%)
Other audit firm	2 (4%)	17 (30%)	33 (59%)	4 (7%)	56 (100%)
Total	6 (5%)	30 (25%)	68 (56%)	17 (14%)	121 (100%)

Table 6: In the three most important cases you recall, which personality traits did the individual exhibit?

	Total
Does not accept responsibility	133
Lack of conscience	122
Deceitful	106
Grandiose self-understanding	88
Lack of empathy	84
Impulsive	71
Lack of self-control	68
Superficial	63
Unstructured	57
Anti-social behaviour	53
Other	9

Table 7: In which phase of the audit did you become aware of the psychopathic behaviour?

Panel A: Audit firm	Client acceptance	Planning	Execution	Completion	Other	Cases total
Big Four	4 (3%)	5 (4%)	81 (68%)	17 (14%)	12 (10%)	119 (100%)
Other audit firm	3 (3%)	6 (6%)	50 (49%)	29 (28%)	14 (14%)	102 (100%)
Total	7 (3%)	11 (5%)	131 (59%)	46 (21%)	26 (12%)	221 (100%)
Panel B: Company Size	Client acceptance	Planning	Execution	Completion	Other	Cases total
Quoted company	0	0	9 (82%)	1 (9%)	1 (9%)	11 (100%)
Large company	0	1 (4%)	13 (52%)	5 (20%)	6 (24%)	25 (100%)
Medium company	1 (1%)	3 (4%)	46 (57%)	20 (25%)	10 (13%)	80 (100%)
Small company	6 (5%)	7 (7%)	63 (60%)	20 (19%)	9 (9%)	105 (100%)
Total	7 (3%)	11 (5%)	131 (59%)	46 (21%)	26 (12%)	221 (100%)

Table 8: Did knowledge about the psychopathic behaviour influence the way the audit was done?

	Yes	No	Do not know	Total
Fraud committed	38 (73%)	14 (27%)	0	52 (100%)
Fraud not committed	35 (73%)	13 (27%)	0	48 (100%)
Blank	9 (43%)	1 (5%)	11 (52%)	21 (100%)
Total	82 (68%)	28 (23%)	11 (9%)	121 (100%)