

FORENSIC ACCOUNTING: FRAUD DETECTION SKILLS FOR EXTERNAL AUDITORS

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Abstract: The purpose of this study is to identify the influence of forensic accounting skills, consisting of the auditing skills; investigative knowledge and skills; legal knowledge; communication skills; psychological, criminological and victimological skills; accounting skills; and ICT-related skills of external auditors, on their ability to detect fraud. A survey was administered with a quantitative approach, with a population comprising accountants working in public accounting offices classified as Big Four firms. 370 external auditors were selected as samples for the study. To collect the data needed, questionnaires, in-depth interviews and documents from the accounting offices were employed. In addition, to analyze the data, multiple regression analysis was implemented. The results show that some forensic accounting skills, namely auditing skills; communication skills; psychological, criminological and victimological skills; and ICT-related skills are influential in fraud detection, while other skills, that is investigative skills, legal skills, and accounting skills do not have an influence. It is proven that some of the skills provide more benefit after the fraud has been detected.

Key words: fraud, accounting, forensic

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Introduction

One of the tasks of auditors is to detect fraud, which is defined as false content or information included in financial reports purposely (Tang and Karim, 2018). Fraud is becoming a serious issue, since there have been countless corruption cases around the world, both in developed and developing countries. Serious efforts have been made to cope with the issue in the country, since it leads to the loss of several factors (Hassink et al., 2010). In other countries, cases of fraud are usually asset misappropriation, corruption and false financial reports (Nor and Rameli, 2013; Rorwana et al, 2015; Topcu, 2019). Unfortunately, accountants and auditors have difficulties in detecting fraud (Krambia-Kapardis, 2002). As fraud causes high financial loss, corruption eradication action is increasing (Muse et al., 2015). In this regard, accountants and auditors are professions with great possibilities to detect fraud. However, their attempts to do this are still limited, which is partly due to their lack of forensic accounting skills (Salleh and Aziz, 2014). Therefore, good

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