



The Function Of Forensic Audit, Attitude Of Auditor, Effectiveness Of Auditor Procedures, Auditor's Experience, and Auditor's Ability to Identify Fraud In a Company

Elisabet Lumban Gaol¹, Mastika Tupa Sihombing², Naina Yulia Hafni³, Handriyani Dwilita⁴

Accounting Study Programme, Faculty of Social Science, Panca Budi Pembangunan University, Medan,
North Sumatra, Indonesia¹²³⁴

handriyanidwilita@dosen.pancabudi.ac.id

Submission: 4 Desember 2024

Accepted: 2 January 2025

Published: 31 January 2025

Abstract

Fraud, which includes financial statement manipulation, asset misuse, and corruption, is a serious problem that jeopardizes corporate continuation. Using descriptive qualitative research methodologies, this study evaluates literature from a variety of scientific papers and pertinent research reports in order to investigate the function of forensic auditing in identifying and preventing fraud. The material from numerous scientific publications and pertinent research reports is reviewed in this study. This study examines a number of publications about forensic audits, auditor attitudes, audit technique efficacy, experience, and the capacity of auditors to identify fraud. Investigation-based forensic auditing contributes to the methodical discovery, examination, and presentation of fraud evidence. Results indicate that the use of information technology, organized processes, and experienced, ethical auditors all contribute to successful forensic audits. Forensic audits can reduce the risk of fraud by comprehending important elements including pressure, opportunity, and rationalization (the so-called "fraud triangle"). In order to enable more effective fraud prevention, this research highlights the significance of enhancing the caliber of forensic audits through auditor training and development.

Keywords : *Fraud, Forensic Audit, Auditor Attitude, Effectiveness of Auditor Procedures, Experience, Ability*

This is an open access article distributed under CC BY-SA 4.0 Attribution License, provided the original work is properly cited. ©2025 Elisabet Lumban Gaol, Mastika Tupa Sihombing, Naina Yulia Hafni, Handriyani Dwilita

INTRODUCTION

Fraud represents a critical challenge in the corporate environment, endangering financial stability, corporate reputation, and stakeholder trust. The Association of Certified Fraud Examiners (ACFE) defines fraud as a deliberate act of deception intended to secure an unfair or unlawful gain. This phenomenon manifests in various forms, including financial statement manipulation, asset misappropriation, and corruption (ACFE, 2018). The

increasing complexity of modern business transactions has intensified opportunities for fraudulent activities, necessitating robust detection and prevention mechanisms. Consequently, forensic auditing has emerged as a pivotal tool in fraud mitigation, leveraging systematic investigative methodologies to uncover financial misconduct (Bologna & Lindquist, 1995).

The "fraud triangle" theory, introduced by Donald Cressey (1950), highlights three primary drivers of fraudulent behavior: pressure, opportunity, and rationalization. Financial distress, personal gain, or external demands often exert pressure on individuals, compelling them to engage in fraudulent activities. Simultaneously, weak internal controls or oversight deficiencies create opportunities for fraud to thrive. Rationalization further facilitates fraudulent actions, as perpetrators justify their misconduct through perceived injustices or organizational neglect (Zimbelman et al., 2014). Understanding these elements is crucial for designing effective fraud prevention strategies, reinforcing internal controls, and implementing forensic audits as a countermeasure against financial deception.

Forensic auditing is distinguished from traditional auditing by its investigative nature, integrating legal and accounting expertise to examine financial irregularities. It involves the identification, collection, and interpretation of evidence that may be admissible in court proceedings (Bologna & Lindquist, 1995). In practice, forensic audits serve both proactive and reactive functions. Proactive forensic audits focus on identifying vulnerabilities within financial systems to prevent fraud, while reactive forensic audits investigate suspected fraudulent activities following the emergence of credible indicators (Nur, 2022). The effectiveness of forensic auditing depends on the application of structured methodologies, such as document analysis, digital forensics, and interview techniques, to detect discrepancies indicative of fraud (Arifin, 2022).

Despite advancements in forensic auditing, organizations continue to face challenges in fraud detection and prevention. Research indicates that approximately 5% of an organization's annual revenue is lost due to fraud, underscoring the need for enhanced fraud risk management practices (ACFE, 2018). The effectiveness of forensic audits is contingent upon several factors, including auditor competence, adherence to professional skepticism, and the integration of technological tools such as big data analytics (Sembiring, 2023). Experienced forensic auditors are better equipped to recognize fraudulent patterns, evaluate financial inconsistencies, and provide critical insights that support legal proceedings (Albrecht et al., 2011).

A key component of forensic auditing is the quality and reliability of audit procedures. The competence of auditors in applying investigative techniques, including the assessment of financial records, transaction tracing, and digital forensics, significantly influences the outcome of fraud investigations (Karyono, 2013). In addition, whistleblowing mechanisms play an instrumental role in uncovering fraud, as insider reports often serve as primary sources of fraud detection (Sudarmanto, 2020). Organizations that cultivate a culture of transparency and ethical accountability are more likely to deter fraudulent behaviors and strengthen their internal fraud prevention frameworks.

The significance of forensic auditing extends beyond corporate governance to include regulatory compliance and legal enforcement. Government agencies, financial institutions, and multinational corporations increasingly rely on forensic auditors to ensure regulatory adherence and minimize financial misconduct (Tuankotta, 2010). As fraudulent schemes evolve, the continuous advancement of forensic auditing techniques, auditor training programs, and cross-disciplinary collaborations are essential in reinforcing fraud detection capabilities.

This study aims to explore the role of forensic auditing in detecting and preventing fraud, with a focus on the impact of auditor attitudes, audit procedural effectiveness, and auditor experience on fraud identification. By synthesizing insights from prior research, this study seeks to provide a comprehensive analysis of forensic auditing methodologies, contributing to the development of more effective fraud prevention strategies in corporate and public sector organizations. Understanding these dynamics is essential for enhancing the integrity and reliability of financial reporting, ultimately fostering a more transparent and accountable business environment.

METHODS

This study employs a qualitative research approach, emphasizing an analytical process that integrates both deductive and inductive reasoning to explore the dynamic relationships among observed phenomena. The research design is based on a systematic literature review, utilizing secondary data sources derived from various scientific publications, books, and relevant research reports. This approach enables a comprehensive understanding of forensic audit practices and their role in fraud detection and prevention.

The data collection process involved extensive searches in academic journal databases, digital libraries, and scholarly websites using specific keywords related to forensic audit, auditor effectiveness, and fraud detection. To ensure the credibility of the findings, only peer-reviewed sources and authoritative research materials were included in the analysis. The literature selection was guided by criteria such as relevance, methodological rigor, and the significance of the findings to the research objectives.

Data analysis was conducted through a structured thematic approach, categorizing information based on key aspects such as forensic audit techniques, auditor competence, and the effectiveness of fraud detection mechanisms. This method allows for the identification of patterns, relationships, and gaps in existing research, contributing to a nuanced understanding of forensic auditing's role in corporate governance.

To enhance the reliability of the study, multiple sources were cross-validated to minimize bias and ensure the consistency of conclusions. The findings derived from the literature review provide empirical support for the discussion and contribute to the formulation of recommendations for improving forensic audit practices in fraud prevention.

RESULTS OF FINDINGS

The Role of Forensic Audit in Detecting Fraud

Forensic auditing has a significant role in identifying suspicious transactions, evaluating evidence of fraud, and providing recommendations to improve an organisation's internal control system (Bologna & Lindquist, 1995). Studies show that comprehensive forensic audit techniques can uncover a variety of complex fraud modus operandi, including financial statement manipulation, asset misappropriation, and corrupt practices (Enofe, 2013). The systematic approach applied in forensic auditing allows auditors to identify patterns of unusual transactions and detect indications of fraud (Cressey, 1950).

Auditor Attitude in Forensic Audit

The success of a forensic audit is strongly influenced by the auditor's attitude in carrying out his duties. Auditors who have an independent, professional, and high integrity attitude are more effective in uncovering fraud cases than auditors who are less professional (Kurniasari, 2017). Auditor independence is a major factor in assessing audit evidence objectively and avoiding pressure from interested parties (Albrecht et al., 2011). In addition, forensic auditors must have high professional skepticism so that they are not easily influenced by data manipulation by management (Zimbelman, 2014).

Effectiveness of Audit Procedures in Detecting Fraud

The effectiveness of audit procedures determines the success of forensic audits in detecting fraud. A study conducted by Arifin (2022) revealed that the application of audit procedures in accordance with professional standards, such as document analysis, interviews, and the use of information technology, can increase accuracy in identifying suspicious transaction patterns. In addition, the use of big data in forensic auditing allows auditors to trace anomalies in a large number of transactions and detect indications of fraud more systematically and accurately (Sembiring, 2023).

The Effect of Auditor Experience on the Ability to Detect Fraud

Auditor experience has a positive relationship with the ability to identify fraud. Auditors who have extensive experience in handling various fraud cases are more careful in recognising fraud patterns that often occur in an organisation (Sudarmanto, 2020). Research shows that experienced auditors are better able to understand the strategies used by fraudsters and have a higher level of accuracy in analysing audit evidence (Nur, 2022). Thus, the more experience the auditor has, the higher his ability to detect indications of fraud.

Auditor's Ability to Uncover Fraud

The auditor's ability to detect and verify fraud is a key factor in forensic audit effectiveness. Auditors who have a deep understanding of investigative techniques and have strong analytical skills are more effective in uncovering complex fraud cases (Tuankotta, 2010). According to research conducted by ACFE Indonesia (2018), auditors who have high fraud awareness and good skills in the detection stage tend to be more successful in finding evidence of fraud than auditors who do not have these skills. Therefore, auditor training and development is an important aspect in improving forensic audit effectiveness.

Overall, the results of this study confirm that forensic auditing plays a crucial role in detecting and preventing fraud in organisations. Factors such as auditor attitude, effectiveness of audit procedures, experience, and analytical skills contribute to the success

of forensic audits in uncovering fraud. By strengthening auditor competence and improving the quality of audit procedures, organisations can minimise the risk of fraud and increase transparency in their financial management.

DISCUSSION

The findings of this study reinforce the notion that forensic auditing is indispensable in detecting and preventing fraud within organizations. Unlike traditional auditing, which primarily focuses on compliance and financial statement accuracy, forensic auditing goes beyond by employing investigative techniques to uncover fraud schemes that might otherwise go undetected. Its role extends beyond detection to prevention by identifying systemic vulnerabilities that can be exploited for fraudulent activities.

Forensic auditing is a highly specialized field that requires a multifaceted approach. The effectiveness of forensic audits is determined by a combination of key factors, including the auditor's attitude, the effectiveness of audit procedures, the auditor's experience, and their ability to detect and verify fraudulent activities. These components collectively influence how efficiently and accurately forensic audits can expose fraudulent financial practices (Bologna & Lindquist, 1995).

One of the primary determinants of forensic audit success is the professional attitude of auditors. Auditors with a high level of integrity and independence are better equipped to assess evidence objectively and make unbiased conclusions (Albrecht et al., 2011). A fundamental principle in forensic auditing is the exercise of professional skepticism, which enables auditors to critically evaluate information and detect inconsistencies that might indicate fraudulent behavior (Zimbelman et al., 2014).

Independence is essential in forensic audits, particularly when investigating fraud within an organization. Independent auditors are less likely to succumb to pressure from management or stakeholders attempting to conceal fraudulent activities. Ensuring auditors have full autonomy is critical to maintaining the credibility of forensic audits (Kurniasari, 2017). Furthermore, ethical considerations play a pivotal role in forensic auditing, as auditors are often required to make judgment calls that can significantly impact an organization's legal and financial standing.

The effectiveness of forensic auditing hinges on the implementation of systematic and well-structured audit procedures. Forensic auditors must utilize advanced investigative techniques to track fraudulent transactions, including leveraging big data analytics, digital forensic tools, and artificial intelligence to detect anomalies (Sembiring, 2023).

Big data analytics has revolutionized forensic auditing by allowing auditors to analyze vast amounts of financial transactions in real-time, identifying suspicious activities with greater accuracy. Traditional auditing techniques often fall short when dealing with complex fraud schemes, making technology-driven forensic methods indispensable in modern fraud detection (ACFE, 2018).

Interviews and interrogations are also essential components of forensic audits. Conducting structured interviews with key stakeholders, employees, and third parties can yield valuable insights into fraudulent activities. Effective communication skills enable

auditors to extract crucial information that might not be reflected in financial statements (Arifin, 2022).

Experience is a defining factor in an auditor's ability to detect fraud. Seasoned auditors are more adept at identifying red flags and recognizing emerging fraud schemes based on prior exposure to similar cases (Sudarmanto, 2020). Experienced forensic auditors can navigate complex financial transactions more effectively, making connections between seemingly unrelated anomalies to uncover fraud.

Additionally, experienced auditors are skilled at identifying weaknesses in internal control systems, allowing organizations to implement stronger fraud prevention mechanisms. The ability to detect control deficiencies is crucial, as weak internal controls provide opportunities for fraudulent activities to thrive (Nur, 2022).

The ability of auditors to critically analyze financial data is a cornerstone of forensic auditing. Strong analytical skills enable auditors to detect patterns of fraud, assess risks, and develop a comprehensive understanding of financial irregularities. Auditors with in-depth knowledge of fraud detection methodologies, investigative interviewing, and forensic accounting software are significantly more effective in uncovering complex fraud schemes (Tuankotta, 2010).

Fraud awareness also plays a vital role in forensic auditing. Auditors who possess a deep understanding of the various types of fraud, including asset misappropriation, financial statement fraud, and corruption, are better equipped to identify suspicious transactions and fraudulent behaviors (ACFE Indonesia, 2018).

Given the ever-evolving nature of financial fraud, continuous professional development is crucial for forensic auditors. Regular training and certification programs ensure that auditors stay up to date with the latest fraud detection techniques, regulatory changes, and advancements in forensic accounting technology (Sembiring, 2023). Training programs that incorporate real-world case studies, fraud investigation simulations, and hands-on experience with forensic accounting software equip auditors with the practical skills necessary to conduct thorough forensic audits. Additionally, collaboration with legal professionals, law enforcement, and regulatory agencies enhances the effectiveness of forensic auditing by providing auditors with a broader understanding of fraud prosecution and litigation processes.

The findings of this study carry significant implications for forensic audit practices across various sectors. Organizations must prioritize the integration of forensic auditing into their internal control frameworks to strengthen fraud prevention efforts. By fostering a corporate culture that promotes transparency and ethical financial management, organizations can mitigate fraud risks more effectively (Bologna & Lindquist, 1995).

From a regulatory standpoint, strengthening forensic auditing practices through enhanced oversight and compliance measures is necessary to address the growing complexity of financial fraud. Government agencies, financial institutions, and multinational corporations must collaborate with forensic auditors to ensure adherence to financial regulations and improve fraud detection mechanisms (ACFE, 2018).

Forensic auditing extends beyond corporate governance; it also plays a crucial role in law enforcement and fraud prosecution. Collaboration between forensic auditors and law

enforcement agencies ensures that fraud cases are thoroughly investigated and that legal action is taken against perpetrators (Tuankotta, 2010). In many cases, forensic auditors serve as expert witnesses in court proceedings, providing critical evidence that supports fraud prosecutions. Strengthening this collaboration can lead to more effective enforcement of anti-fraud laws and higher conviction rates for financial crimes.

While this study provides valuable insights into forensic auditing, future research should explore emerging fraud trends and technological advancements in fraud detection. Investigating the impact of artificial intelligence, blockchain technology, and predictive analytics on forensic auditing can offer new perspectives on fraud prevention and detection (Sembiring, 2023). Additionally, comparative studies on forensic auditing practices across different industries and regulatory environments can provide a deeper understanding of how forensic audits can be optimized to address sector-specific fraud risks.

In conclusion, forensic auditing plays a pivotal role in identifying and preventing fraudulent activities within organizations. The effectiveness of forensic audits depends on various factors, including auditor attitude, systematic audit procedures, experience, and analytical capabilities. By incorporating advanced technology, continuous professional development, and regulatory compliance, forensic auditing can serve as a robust mechanism for fraud prevention and detection. Organizations must prioritize forensic auditing as a proactive strategy to safeguard financial integrity and foster a transparent business environment. Future research should continue to explore innovative methodologies and collaborative frameworks that enhance the impact of forensic auditing in combating financial fraud on a global scale.

CONCLUSION

Forensic auditing plays a crucial role in identifying and preventing fraud within organizations. This study highlights that the effectiveness of forensic audits is influenced by auditor attitude, the application of systematic audit procedures, auditor experience, and analytical skills. Auditors with high integrity and professional skepticism are better equipped to detect fraud and remain independent in their assessments.

The findings indicate that forensic auditing, when executed effectively, enhances fraud detection by integrating investigative techniques such as document analysis, interviews, and digital forensics. The use of advanced technology, including big data analytics and artificial intelligence, further improves the accuracy of fraud detection. Additionally, experienced auditors demonstrate a greater ability to recognize fraud patterns and uncover financial irregularities compared to less experienced auditors.

Furthermore, forensic auditing not only serves as a reactive tool for fraud detection but also functions as a proactive mechanism for strengthening internal control systems. By identifying vulnerabilities within financial processes, forensic audits help organizations mitigate fraud risks before they escalate. Regulatory compliance and collaboration with law enforcement agencies further enhance the impact of forensic auditing in fraud prevention and prosecution.

To maximize the effectiveness of forensic auditing, organizations must invest in continuous auditor training and development, ensuring that auditors stay updated on

emerging fraud schemes and technological advancements. Future research should explore the integration of blockchain and AI in forensic auditing to enhance fraud detection capabilities. In conclusion, forensic auditing is an indispensable tool in corporate governance, contributing to financial transparency, fraud prevention, and organizational accountability. Strengthening forensic audit practices will foster a more ethical and fraud-resistant business environment.

LITERATURE

- ACFE Indonesia. (2018). Survei Fraud Indonesia 2016.
- Albrecht, W. S., Albrecht, C. C., & Albrecht, C. O. (2011). Fraud Examination.
- Arifin, J. (2022). Determinants of the Effectiveness of Audit Procedures in Revealing Fraud: An Attribution Theory Approach.
- Bologna, G. J., & Lindquist, E. F. (1995). Fraud Auditing and Forensic Accounting.
- Cressey, D. (1950). The Criminal Violation of Financial Trust.
- Enofe, A., Aigboduwa, P., & Mohammed, H. (2013). The Impact of Forensic Accounting on Fraud Detection.
- Kurniasari, N. T. (2017). Strategi Pencegahan Kecurangan dalam Pengelolaan Keuangan Badan Litbang dan Inovasi Kementerian Lingkungan Hidup dan Kehutanan.
- Nur, A. (2022). Peranan Audit Forensik dalam Pencegahan Kasus Fraud Penerbitan Izin Usaha Pertambangan (IUP) Pemerintahan Daerah.
- Sembiring, F. N. B. (2023). The Effect of Auditor Experience, Big Data, and Forensic Audit as Mediating Variables on Fraud Detection.
- Sudarmanto, E. (2020). Manajemen Risiko: Deteksi Dini Upaya Pencegahan Fraud.
- Tuankotta, T. M. (2010). Akuntansi Forensik dan Audit Investigative.
- Zimbelman, M. F., Albrecht, W. S., Albrecht, C. C., & Albrecht, C. O. (2014). Akuntansi Forensik.