

# The Role Of Forensic Accounting Curriculum In Forensic Audit

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## Abstract.

*The purpose of the study is to identify the gap between the practice requirements and the outputs of the audit education and training center and to identify the contribution of the forensic accounting curriculum in filling the gap. This study uses a quantitative approach. The sample is 124 respondents with professional backgrounds as auditors and accountants educators in Indonesia. The data collection method implemented in this research is the survey method through the distribution of questionnaires and direct interview techniques with the non-participatory observation which aims to find out more details about the case being studied without actively involving the object of study. Furthermore, this study explores the best possible strategies in shaping learning outcomes that are competent and ready to practice as auditors based on various previous studies and contributes to auditing education and training centers and universities by providing material for consideration in the preparation of strategic plans and learning programs. This study can also contribute to prospective auditors who are considering alternative audit training curricula by providing various competency recommendations for the needs of current auditing practices.*

**Keywords:** Forensic Accounting Curriculum, Forensic Audit, Auditor, Fraud

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## I. INTRODUCTION

Fraud is the main object that is fought in forensic audits and investigative audits. The reasons for committing fraud are often triggered through pressures that affect the individual, rationalizations, or opportunities. Fraud will be committed if there is an opportunity where someone must have access to assets or have the authority to set up control procedures that allow a fraudulent scheme to be carried out. Forensic accounting disciplines develop with increasing crime rates, corruption, lack of functioning of policy or regulatory makers, weak security systems, and so on. This is also an indication that the demand for forensic accountants is increasing (Mukoro et al. 2013). Forensic accountants need skills and knowledge in addition to accounting knowledge to carry out their duties (Prabowo 2013a; 2013b). Detection and prevention of fraud in the public and private sectors have always been a problem for law enforcement agencies around the world, including Indonesia. The results of the PwC survey in 2022 show that although the crime rate and economic and financial crime are stable, the impact of this crime is quite large for corporations when measured by annual income. Globally in the financial sector, the types of fraud that dominate are customer fraud (44%) and cybercrime (38%), followed by Know-your-customer failure (29%). Based on data from the International Monetary Fund (IMF) in 2020, the estimated total annual average loss due to cyber-attacks experienced by the financial services sector globally is USD 100 billion or more than IDR 1,433 trillion. Forbes (2020) stated that the United Nations predicts the amount of money laundering to reach IDR 29,000 trillion every year. The Financial Action Task Force (FATF) has noted that there is an increase in the misuse of online financial services and virtual assets to move and hide illicit funds.

Learning outcomes from an education and training center (Pusdiklat) or college in the accounting field often draw criticism for not meeting the demand for labor market competencies (Adler et al., 2000; Suryawathy & Putra, 2016). The scope of standard competencies for graduates in accounting that can meet the expectations of the future accounting profession is still under debate. Blix et al., (2021) stated about the importance of including data analysis skills and understanding the logic behind data analysis in preparing professional expectations for future accounting. Some researchers suggest including forensic accounting competencies (Mahsun et al., 2021; Prabowo, 2021). Another argument might suggest the scope of the basic

accounting curriculum because the scope of forensic accounting is considered too wide so it is impossible to teach it in one major. In general, colleges with majors in accounting teach two auditing courses. Some colleges have adopted additional courses related to fraud such as forensic accounting as a result of the increase in fraud in society. According to Meier et al. (2010), universities with accounting majors and AACSB accreditation are very slow in adopting forensic accounting and fraud examination courses. All entities, which are mostly medium sized, have specialists in the forensic accounting department. Some may be responsible for insurance claims and fraud detection (ML Bhasin, 2015). For a company, weak governance can lead to decreased performance, manipulation of financial statements, and decreased levels of stakeholder confidence. Therefore, forensic accountants play an important role in every company, especially in reducing the rate of fraud. So the forensic accounting curriculum can produce accountants and forensic auditors who can provide professional skepticism and analytical skills to look beyond the numbers presented to investigate and discover the true intentions of economic transactions.

This study aims to identify the gap between the practice requirements and the outputs of the audit education and training center and to identify the contribution of the forensic accounting curriculum in filling this gap. The data collection method implemented in this research is the survey method through the distribution of questionnaires and direct interview techniques with the non-participatory observation which aims to find out more details about the case being studied without actively involving the object of study. Furthermore, this study explores the best possible strategy for shaping learning outcomes that are competent and ready to practice as auditors based on various previous studies. This research contributes to auditing education and training centers and universities that are trying to develop their curriculum, develop their learning methods, and evaluate curriculum gaps and the need for current auditing practices. Furthermore, this study contributes to auditing education and training centers and universities by providing material for consideration in the preparation of strategic plans and learning programs. This study can also contribute to prospective auditors who are considering alternative audit training curricula by providing various competency recommendations for the needs of current auditing practices.

## II. METHODS

This study uses a quantitative approach. The subjects of this research are educators and internal auditors in Indonesia. The target sample of this research is the number of variables (4 variables) multiplied by the number of observation/indicator variables (20 indicators), namely  $4 \times 20 = 80$  people (Hair, 2009). So the number of samples in this study was 80 accountants, educators, and auditors. This study uses a proportional random sampling technique to determine a sample of educator accountants and auditors in Indonesia. The data collection technique used in this research is to use a questionnaire by making a list of written questions about the items of the research variable indicators to get the goals to be achieved. The questions in this research questionnaire have been developed and adapted by researchers from previous studies. Data collection and sources were obtained by distributing questionnaires and interviews with direct questions to respondents in a non-structural manner. The distribution of the questionnaires was submitted directly or via form.

The analytical technique used in this research is Partial Least Square (PLS) with the help of WarpPLS software. PLS is a powerful analytical method because it is not based on many assumptions. PLS because the PLS method has its advantages including: the data does not have to be normally distributed multivariate (indicators with categorical, ordinal, interval to ratio scales can be used on the same model) and the sample size does not have to be large. Although PLS is used to confirm the theory, it can also be used to explain whether or not there is a relationship between latent variables. PLS can analyze simultaneously constructs formed with reflexive and formative indicators and this is not possible in the Structural Equation Model (SEM). The goodness of fit outer model test includes:

1. Convergent validity is intended to test whether each indicator in the latent variable can explain the latent variable. An indicator is said to be valid if it has a loading factor value above 0.5;

2. Discriminant Validity describes the amount of variance that can be explained by items compared to the variance caused by the measuring error. An indicator is said to have good discriminant validity if it has an AVE (Average Variance Extracted) value of more than 0.7;
3. Composite Reliability is intended to see the reliability (Reliability) of a construct. The indicators that each latent variable has reliability if it has a composite reliability value of more than 0.5.

### III. RESULT AND DISCUSSION

Based on the data collection of this research, 124 questionnaires were distributed and could be processed. All respondent data that was processed consisted of 40 male respondents (32%) and 84 female respondents (68%) in State Universities (PTN) at the Ministry of Education and Culture and auditors. Respondents who served as auditors were 31 auditors (25%) and accounting educators were 93 people (75%) with an average age of fewer than 40 years as many as 26 people (21%) with a service period of fewer than 15 years as 38 people (accountants with an average age of more than 40 years with a tenure of more than 15 years educator State Universities in Indonesia. All indicators used in the research model are declared valid with a *factor loading* above 0.50 and a reliability value above 0.60. This research model aims to test the expertise of auditors by paying attention to communication skills, problem-solving skills through the forensic accounting curriculum on forensic auditing. The results of the analysis test using WarpPLS software can be seen in the following discussion:

1. The loading value generated from this research variable is more than 0.50 and the resulting significant level is less than 5%. This means that all indicators on the forensic accounting and forensic audit curriculum variables are significantly valid.
2. The *cross-loading* of the forensic accounting and forensic audit curriculum variables with their indicators is higher than the correlation of indicators with other variables. This means that the forensic accounting and forensic audit curriculum variables predict indicators in their block better than indicators in other blocks.
3. The results of the reliability test show that the curriculum variables for forensic accounting and forensic auditing are reliable, seen from the *composite reliability* generated above 0.70, while viewed from *Cronbach's alpha* < 0.60 and have *discriminant validity*, seen from the resulting AVE value, which is above 0.50.\

Based on the output of *Model Fit* and *Quality Indice Full Model* presented in table 1 as follows:

**Table 1.** Model Fit and *Quality Indice Full Model* Research

<i>Average path coefficient (APC)</i> = 0.190, P = 0.007
<i>Average R-squared (ARS)</i> = 0.121, P < 0.042
<i>Average Adjusted R-squared (AARS)</i> = 0.103, P < 0.006
<i>Average block VIF (AVIF)</i> =, acceptable if <= 5, ideally <= 3.3
<i>Average full collinearity VIF (AFVIF)</i> = 1,140, acceptable if <= 5, ideally <= 3.3
<i>Tenenhaus GoF (GoF)</i> = 0.273, small >= 0.1, medium >= 0.25, large >= 0.36

Source: WarpPLS output (2022)

Table 1 shows that the APC value = 0.190 with P-value = 0.007, ARS value = 0.121 with P-value < 0.042, and AARS value = 0.103 with P-value < 0.006. The P-value for APC, ARS, and AARS which is recommended as a fit model is 0.05 (Latan and Ghozali, 2017). Thus, it can be concluded that this research model is fit. This is also supported by the AVIF value of 1.065 and the AFVIF value of 1.140, whose value is much smaller than 3.3, indicating that there is no multicollinearity problem between independent variables. The predictive power of the model described by GoF is in a small category because the value is 0.273 < 0.36. Empirical research results show that the forensic accounting curriculum affects forensic auditing. This means that the importance of the forensic accounting curriculum at the undergraduate level and asking universities to give more serious attention to forensic accounting is a necessity. In addition, to become a professional forensic accountant, respondents agree that additional specialized and certified training is required before providing forensic accounting services. This is in line with Seda & Kramer (2014) who stated that while structured accounting education is outdated and requires significant modification, it is recommended that the accounting curriculum also includes professional services such as forensic accounting

and other courses to allow for some specialization. This is in line with the study conducted by Alabdullah et al. (2014) who said that forensic accounting methods will be able to help uncover and detect corruption cases.

The study also recommends that forensic accounting education be included in the curriculum, to reduce corruption in the future. Learning outcomes from an education and training center (Pusdiklat) or college in the accounting field often draw criticism for not meeting the demand for labor market competencies (Adler et al., 2000; Suryawathy & Putra, 2016). The scope of standard competencies for graduates in accounting that can meet the expectations of the future accounting profession is still under debate. Blix et al., (2021) stated about the importance of including data analysis skills and understanding the logic behind data analysis in preparing professional expectations for future accounting. Some researchers suggest including forensic accounting competencies (Mahsun et al., 2021; Prabowo, 2021). Another argument might suggest the scope of the basic accounting curriculum because the scope of forensic accounting is considered too wide so it is impossible to teach it in one major. In general, colleges with majors in accounting teach two auditing courses. Some colleges have adopted additional courses related to fraud such as forensic accounting as a result of the increase in fraud in society. According to Meier et al. (2010), universities with accounting majors and AACSB accreditation are very slow in adopting forensic accounting and fraud examination courses.

#### IV. CONCLUSION

The existence of a forensic accounting curriculum can produce accountants and forensic auditors who can provide professional skepticism and analytical skills to look beyond the numbers presented to investigate and discover the true intentions of economic transactions.

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