

Mutual perspectives of clients and auditors on the role of audit quality in fraud detection

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INTRODUCTION & AIM

The tendency to obtain private information results from the lack of transparency and reliability of public information, so that capital market participants, in order to obtain reliable information, take into account the auditor's ability to detect fraud in their investment decisions. The purpose of this study is to investigate the role of audit quality in detecting fraud from the perspective of clients and auditors.

The responsibility of auditors to detect fraud has changed over time. In the past, auditors have not accepted their primary responsibility for detecting fraud in audited financial statements. When standards were published in this area, auditors refused to increase their responsibility and search for fraud. It is clear that auditors have the attitude that they are not fully equipped to detect these matters and cannot provide complete assurance that financial statements are free from fraud. However, with the occurrence of widespread fraud at the corporate level, the credibility of the auditing profession has also been questioned.

METHOD

This research is applied in terms of its research objective and is a descriptive-survey research. The questionnaire consists of two general and specific sections. The questions in the general section include the general characteristics of the respondents, including membership in the Society of Certified Public Accountants, organizational and job rank, work experience in the auditing profession, work experience in the company, and level of education. The questions in the specific section were also prepared and compiled using the Fraud Detection Responsibility Questionnaires; DeZoort et al. (2012) and Audit Quality Questionnaires; Duff (2009). The aforementioned questionnaires were reviewed and revised by experts in several stages.

The data required for this study were collected and analyzed using a questionnaire completed by 159 employees of auditing firms and financial managers of companies.

RESULTS & DISCUSSION

Changes in auditors' responsibility for detecting fraud reflect stakeholders' desire to improve audit quality in response to detected fraud. The purpose of this study is to examine the gap between auditors' and clients' expectations of auditors' responsibility for detecting fraud. Auditors are reluctant to accept additional responsibility for fraud. However, the auditing profession is committed to improving audit methods for detecting fraud and increasing efficiency. Empirical evidence suggests that the percentage of fraud detected in financial statements by auditors has decreased in recent years.

The results show that auditors and clients have different views on the individual ability and responsibility of auditors to detect fraud. But independent auditors have the same view of the quality of fraud detection. In other words, the expectations of capital market participants to detect auditors' fraud are different in different dimensions and are a function of individuals' knowledge and understanding of the auditors' risks and responsibilities for detecting fraud.

In relation to the difference in the view of auditors' ability to detect fraud, it is suggested that auditors be trained in compliance auditing and fraud detection auditing. By applying this training, auditors' tendency to identify fraud warning factors increases, and as a result, the probability of fraud detection by independent auditors and their confidence in their abilities to protect the interests of shareholders increases.

In relation to the difference in accreditation for fraud detection, it is suggested that to improve auditors' ability to detect fraud, legal procedures and fraud detection experts should be integrated into all audit activities. For each audit activity, there should be at least one person in the audit team who can act as a fraud detection expert. In addition, it is necessary that these people be present throughout the entire audit and not only when fraud is detected. In other words, considering the type of training and skills of auditors, there is a need to separate fraud detection from auditing.

CONCLUSION

Auditors are not reluctant to accept additional responsibility for fraud. However, the auditing profession is committed to improving audit methods to detect fraud and to increase efficiency. In other words, by increasing the quality of an organization's audit, auditors are adequately trained and work is planned based on auditors specializing in each industry, which increases the likelihood of fraud detection.

FUTURE WORK / REFERENCES