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The Science of Detecting Financial Deception In Forensic Accounting Research

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Abstract

Historical accounting assumed that decisions and practices were completely rational and driven by compliance processes. In reality, as behavioural and forensic practices have emerged, human psychology and the qualities of auditors, professionals, and regulators influence fraud detection. Professional skepticism and forensic accounting competencies are some of the crucial factors in the quality of judgement and the efficiency of auditors in detecting fraud. The study analyses previous research on forensic accounting across multiple countries, professional skepticism, cognitive biases, and fraud detection. The findings reveal that the prominence of forensic accounting competence, skeptical behaviour, and skills greatly enhances fraud detection capabilities, whereas cognitive biases weaken the ability to detect fraud. When cross-cultural evaluations are done, it was evident that auditors in Southeast Asian countries show a strong positive relationship between skeptical mindset and the ability to detect fraud, whereas biases and Ego depletion show a negative relationship and significantly impair the decision-making quality of auditors. This research will help audit regulators, professionals and standard-setters to examine the efficiency of audits and develop strategies to strengthen fraud detection mechanisms.

Keywords: *Forensic Accounting, Professional Skepticism, Fraud Detection, Cognitive Bias, Behavioural Accounting, Audit Judgment*

1. INTRODUCTION

Traditional auditing practices viewed auditors as decision makers who are purely rational, those who evaluate evidence and apply standards and procedures in forming judgements. In this accounting framework, auditors try to find out material misstatements, frauds and malpractices and aim to determine whether any misconduct has already been committed; this is analysed using systematic audit procedures, and the quality of judgement also plays a crucial role. If the auditors who examined the documents were unaffected by emotional and cognitive limitations, or other environmental pressures, the rate of fraud detection would also be comparatively higher**.** But in the current scenario, there are successful fraud detections; still, the number of cases of unsuccessful detections was also comparatively higher. Standard auditing frameworks were concentrated on procedural compliance, but the insights into the root cause of the increasing frequency of undetected frauds and persistent audit failures remain underexplored. To address these anomalies, disciplines such as Behavioural and forensic accounting have emerged. The combined form of behavioural and forensic practices explains how decisions regarding fraud detection are affected by human psychology, cognitive biases, professional skepticism, and investigative skills.

Behavioural biases and cognitive limitations influence the decision-making of auditors, and many factors, such as professional skepticism and forensic accounting competencies, were observed and were recognised as some of the relevant determinants of auditors' fraud detection capability. Several Studies by psychologists and auditing researchers demonstrate that the decision-making and judgement of the auditors are influenced by their psychological and emotional states, cognitive biases, and any other environmental pressures (Brody et al., 2021). The combination of professional skepticism and forensic competence was considered to be the critical factors that have considerable influence on fraud detection, as auditors who are more skeptical have conducted their investigations in a more efficient manner than auditors who are non-skeptical and they often become successful (Agustina et al., 2021). Successful audits enhance professional confidence and will automatically lead to the efficiency of detecting fraud (Niroula et al., 2026)

The current study compares the influence of elements like forensic accounting competencies, professional skepticism, as well as cognitive factors on fraud detection across multiple countries to examine the progress of the audit profession as well as the capability of auditors in mitigating fraud and the efficiency in detecting fraud. The study will be useful to audit regulators, fraud examiners and standard-setters to examine the effectiveness of audits and to enhance the fraud detection abilities of auditors, along with developing future strategies to make auditing practices more successful.

Persistent audit failures result from deficiencies in many audit practices such as lack of professional skepticism, inefficient investigative skills, lack of forensic training, and the presence of cognitive biases. These vulnerabilities consistently lead to many instances of uncovered corporate misconduct. The study is a literature-based study that examines the effect of forensic accounting competencies, skeptical behaviour, as well as cognitive bias among auditors across multiple countries, to assess the auditing profession and the progress of auditors toward effectiveness in fraud detection. This study will help authorities understand the current level of auditor effectiveness and fraud detection ability.

The objectives of the study are as follows:

- To examine the cross-national effect of forensic accounting competencies, professional skepticism, and cognitive factors in enhancing detection of fraud.
- To analyse the effect of cultural and demographic determinants on fraud detection capabilities of auditors.

The literature section shows the important studies on forensic accounting, professional skepticism, and cognitive factors across multiple countries. Grazioli et al. (2006) analysed, rather than merely focusing on computational mistakes, and it was observed that the root originates from the misinterpretations of cognitive processes, psychology, audit judgment errors, and behavioural modelling of auditors, thereby creating a gap between theoretical models and real-world settings. The study found that auditors do not normally fail because they commit numerical mistakes, but because they make errors in interpreting cognitive meaning; therefore, the theoretical simulation model failed to validate in a dynamic field experiment. Agustina et al. (2021) analysed the effect of competence, independence, skills and experience on an auditor's ability to detect fraud through the mediation of professional skepticism among auditors in Indonesia. They found that there was no direct effect on fraud detection without mediating factors, but found that professional skepticism mediated these relationships. Brody et al. (2021) investigated how professional judgement and decision-making quality are influenced by cognitive biases during fraud investigations. The study demonstrated that cognitive biases significantly influence judgment quality during investigations, though the researchers do not empirically analyse the relationship between cognitive biases and performance in examining fraud. Al Natour et al. (2024) demonstrated empirical evidence by examining auditors in Egypt on the leading influence of forensic competencies and skills in improving auditors' efficiency in detecting fraud. The study demonstrated a positive relationship between communication skills, accounting and investigative skills, and the capability of auditors, with the CAATTS (Computer-Assisted Audit Techniques) application having a moderating influence. Imjai et al. (2024) examined the ability to detect fraud of Gen Z accountants in Thailand, and it was found that factors like competency in digital analytics, literacy in data science, and

diagnostic skills have significant positive relationships with fraud detection. Competency in digital analytics not only provides expertise in digital technology to accountants; furthermore, it enhances the analytical skills that are crucial for understanding activities that are fraudulent. Shirowzhan and Fakhari (2024) discovered the prominent role of skeptical behaviour of professionals in enhancing the quality in judgment, and decision-making capability among forensic auditors and the factor called ego depletion which has a moderating effect, were also analysed. They demonstrated a considerable positive relationship between professional skepticism and judgment quality and decision-making; however, the impact of ego depletion showed negative behaviour. Safeeda and Ganesh (2025) have examined AI-driven fraud in accounting from the perspective of investors. This study showed that AI systems that are too complex may risk causing overconfidence bias, automation bias or hasty acceptance of the data. Nazria et al. (2025) examined the relationship between six traits of skeptical behaviour and detection of financial statement fraud among auditors across Malaysia and Indonesia. Grounded in attribution theory, the findings demonstrated significant positive correlations among questioning mindset, knowledge, interpersonal comprehension and self-determination, as well as fraud detection. Azhar et al. (2025) analysed how professional skepticism traits influence the fraud detection capability of internal auditors' fraud detection among internal auditors in Malaysia. The study has demonstrated the prominent role of skepticism traits in internal fraud detection capability, and also demonstrated that numerically evaluating these characteristics may introduce subjectivity. Johnson-Rokosu et al. (2025) analysed the combined form of behavioural factors with forensic practices to improve the capability of fraud detection. The study found that integration of behavioural analytics with forensic practices largely improves early detection and mitigation of fraud. The analysis was limited to only 3 high-profile cases. Hajisha et al. (2026) examined the applications of self-selection sampling in behavioural finance studies. The study mainly concentrated on human traits and biases such as herding, anchoring, loss aversion and overconfidence. Similarly, this study connects to our literature by examining the latent human traits that are being analysed.

2. MATERIAL AND METHODS

The study employs a literature-based review to analyse existing studies on the concepts of forensic accounting, professional skepticism, and cognitive factors and biases. The relevant studies were referred to through different sources such as Google Scholar and Scopus, using combined keywords like forensic accounting, professional skepticism, cognitive bias, forensic competence, auditor bias and fraud detection. The present study covers the literature between 2006 and 2026. The study utilises different studies across multiple countries, covering different cultures and longitudinal studies. The study uses empirical as well as theoretical studies that were conducted across different countries

3.RESULT AND DISCUSSION

This study aimed to analyse elements such as forensic accounting competence, professional skepticism, and cognitive factors and how they influence the fraud detection capability of auditors. The study also aimed to evaluate the effectiveness of cultural and demographic factors on fraud detection capabilities among auditors. The Findings demonstrate that forensic competence and professional skepticism exist in countries such as the United States, Malaysia, and Indonesia. These factors were also prevalent in emerging and frontier markets such as Nepal, Egypt, Thailand, and Iran. Studies conducted across different time periods also illustrate the influence of such factors on the fraud detection capability of auditors. In comparison with the Iranian audit environment, the Malaysian and Indonesian audit environments have been more affected by professional skepticism traits (Nazria et al., 2025; Azhar et al., 2025). In the case of the Nepalese audit environment, professional skepticism is positively influenced by forensic accounting competencies and knowledge of auditors, and it is also negatively influenced by the absence of trading experience and optimism.

4.CONCLUSION

According to previous studies on forensic accounting skills, professional skepticism, and cognitive factors, audit environments in Nepal, Egypt, Thailand, Iran, Indonesia, Malaysia, and the United States are not different from other audit environments

around the world in that they are affected by these factors. Previous studies on the influence of these factors on the capability of detecting fraud by auditors in Malaysia and Indonesia demonstrate substantial positive correlations between skepticism mindset and fraud detection. It provides an overall outlook that even if there are differences in cultural, regional, and social contexts, auditors are affected by cognitive biases and further limitations, but the intensity of their impact may differ; and it is well established that there are correlations between professional skepticism, forensic competence and fraud detection. The study will be useful to audit regulators, fraud examiners and standard-setters in examining the efficiency of audit procedures and enhancing the capability of fraud detection.

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