

Financial Statement Fraud: The Need for a Paradigm Shift to Forensic Accounting

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Abstract : The unrelenting series of embarrassing audit failures should stimulate a paradigm shift in accounting. And in this age of information revolution, there is need for a constant improvement on the products or services one offers to the market in order to be relevant. This study explores the perceptions of external auditors, forensic accountants and accounting academics on whether a paradigm shift to forensic accounting can reduce financial statement frauds. Through Neo-empiricism/inductive analytical approach, findings reveal that a paradigm shift to forensic accounting might be the right step in the right direction in order to increase the chances of fraud prevention and detection in the financial statement. This research has implication on accounting education on the need to incorporate forensic accounting into present day accounting curriculum. Accounting professional bodies, accounting standard setters and accounting firms all have roles to play in incorporating forensic accounting education into accounting curriculum. Particularly, there is need to alter the ISA 240 to make the prevention and detection of frauds the responsibilities of bot those charged with the management and governance of companies and statutory auditors.

Keywords : financial statement fraud, forensic accounting, fraud prevention and detection, auditing, audit expectation gap, corporate governance

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