CHAPTER I
INTRODUCTION

1.1 Research Background

Fraud is a global problem that continues to pose a major challenge for businesses and governments around the world. According to the Association of Certified Fraud Examiners (ACFE), the preeminent global anti-fraud entity, it disclosed in 2024 that entities incur an estimated 5% loss of their yearly revenue due to fraud annually. The finding shows that fraud is no longer a problem faced only by certain institutions or countries, but has developed into a continuing global issue affecting organizations across various sectors and regions. In companies, fraudulent practices can cause substantial financial losses, damage business reputation and credibility, and ultimately weaken financial condition and business performance (Gupta & Gupta, 2025). Fraud is often difficult to detect as it can be hidden within routine organizational processes, with perpetrators exploiting existing opportunities for personal gain (Roffia & Poffo, 2025). Furthermore, ACFE (2024) has published the findings of a fraud survey. The findings indicated that the Asia Pacific area documented 183 cases, with corruption being the predominant strategy, and a median loss of US$200,000 for each case. These conditions emphasize the need for early and effective fraud detection to reduce the risk of greater organizational and economic losses.

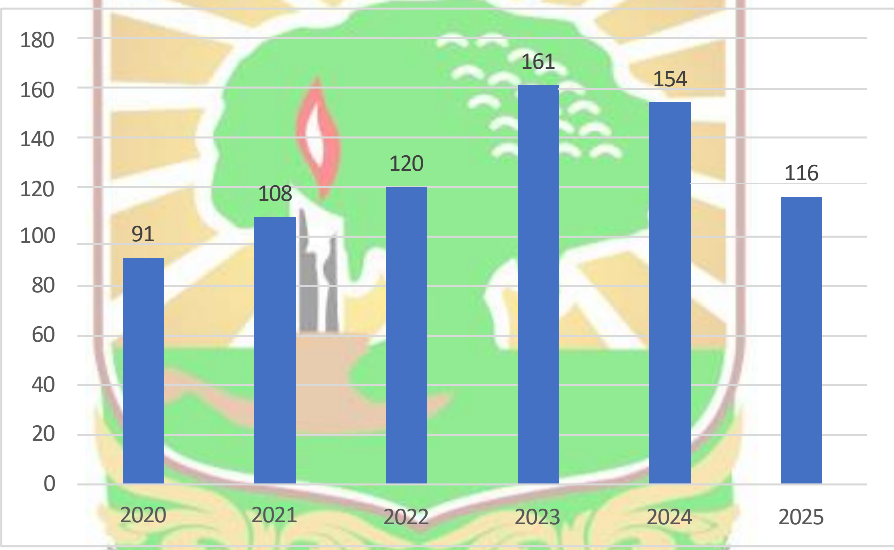
Table 1.1 Percentage of Fraud in Indonesia

Type of Frauds	Percentage (percent)
Corruption	47,6%
Asset Misappropriation	40,2%
Financial Statement Fraud	12,2%

Source: Association of Certified Fraud Examiners (ACFE) Indonesia, 2025

In Indonesia, fraud remains a serious problem across both the public and corporate sectors (Indiraswari et al., 2025; Junaidi et al., 2024). As shown in Table 1.1, corruption is the most common type of fraud, representing 47.6% of all reported cases. This is followed by asset misappropriation, which accounts for

40.2%, while financial statement fraud is the least frequent, comprising only 12.2% of cases. The data highlight that corruption is not only the most frequent form of occupational fraud but also the most damaging, with average losses ranging from Rp1 billion to Rp50 billion per case (ACFE Indonesia, 2025). This trend is reflected in Transparency International's 2025 Corruption Perceptions Index (CPI), which places Indonesia 109th out of countries worldwide, with a score of 34 out of 100. The decline in score from 37 in 2024 to 34 indicates that perceptions of corruption in Indonesia have worsened over the past year, suggesting that anti-corruption efforts have not had the desired impact. Furthermore, the CPI score indicates that Indonesia remains among the Southeast Asian countries with relatively high perceived levels of corruption, underscoring the need for stronger anti-corruption measures.



Source: Corruption Eradication Commission (KPK), 2026

Figure 1. 1 Graph of Corruption Cases Managed by the KPK

According to figure 1.1, the extent of corruption investigations that carried out by Corruption Eradication Commisssion (KPK) fluctuated over time from 2020 to 2025. In 2020, there were 91 cases, which increased to 108 cases in 2021 and 120 cases in 2022. The number then reached its highest point in 2023, with 161 cases. However, the figure declined slightly to 154 cases in 2024 and dropped further to 116 cases in 2025. This pattern shows that although the KPK has continued to handle corruption cases actively, the intensity of case investigations has varied from year to year.

This fluctuating trend is also reflected in several major corruption cases that drew public attention in recent years. One of the examples of cases is the suspected corruption case involving Liquefied Natural Gas procurement at PT Pertamina. Based on Corruption Eradication Commission (KPK) 2025, the case began when the LNG procurement decision was made without a comprehensive study and without government approval. As a result, the purchased LNG cargoes were not absorbed by the domestic market and were eventually sold at a loss in the international market. This case caused state financial losses of around USD140 million, or approximately Rp2.1 trillion.

Another example is the case of bribery and manipulation of the import goods inspection process within the Directorate General of Customs and Excise (DJBC). Six individuals, including RZL, the Director of Enforcement and Investigation, along with officials from DJBC and PT BR, were arrested for colluding to manipulate the importation process. They adjusted customs inspection parameters to allow illegal and counterfeit goods to bypass inspection. Between December 2025 and February 2026, PT BR provided regular bribes to these officials in exchange for their cooperation. KPK collected evidence worth Rp40.5 billion, including cash, precious metals, and a luxury item (KPK, 2026). These corruption cases indicate that fraudulent practices are often concealed within seemingly legitimate transactions, resulting in substantial losses before they are uncovered. Thus, forensic accounting significantly enhances the detection of these forms of fraud (Cai, 2026).

The evolution of increasingly complex and widespread fraud schemes has reinforced the critical role of forensic accounting in uncovering financial misconduct and assisting legal proceedings. Although it is closely related to auditing, they differ in purpose and approach. Auditing is primarily concerned with evaluating whether financial statements are fairly presented and prepared in accordance with applicable accounting standards. In contrast, forensic accounting involves investigating suspicious financial activities, detecting fraud, and producing evidence for legal proceedings (Catea, 2024; Dkhar et al., 2025). Guellim et al. (2024) state that forensic accounting functions as a mechanism for identifying fraud and is helpful in facilitating law enforcement. By conducting forensic investigations, forensic accountants obtain and analyze financial evidence that supports legal proceedings involving offenses such as corruption, misappropriation of assets, and financial statement fraud.

The field of forensic accounting began to expand considerably in the 1980s, particularly in the United States (Almashaqbeh et al., 2023). Forensic accountants are responsible for tracing suspicious transactions, analyzing financial evidence, identifying indicators of fraud, and presenting findings for use in organizational or legal processes (Alshurafat, 2024). Thus, the role of forensic accountants has grown significantly in supporting fraud detection and strengthening organizational accountability (Bleskadit & Hernawati, 2026; Sangale et al., 2026).

Forensic accounting practices in Indonesia began to develop after the 1997 economic crisis, which led to numerous financial crime cases. Several cases, such as the closure of financial institutions by the Financial Services Authority (OJK) due to financial statement manipulation and fraud scandals in the insurance industry, such as Jiwasraya, show that fraudulent practices are not only widespread but also frequently remain undetected at early stages (Hascika et al., 2024; Kaur et al., 2022). This condition reflects the limited fraud detection capabilities in Indonesian accounting practices, due to forensic accountant limited technical knowledge, auditing skills, and investigative capabilities (Gunawan et al., 2022).

Although demand for forensic accounting in Indonesia is increasing, the availability of educational programs and training remains limited. Some universities have begun integrating forensic accounting courses, but the approach remains theoretical and lacks a problem-based learning focus (Maulidi et al., 2025; Prabowo, 2021). Because auditors have limited professional competencies, weak professional ethics awareness, and poor implementation of ethical codes, their effectiveness in detecting fraud is reduced (Gunawan et al., 2022). To address the issue of low fraud detection ability, it is necessary to strengthen forensic accountant competencies by developing comprehensive forensic accounting skills. This view is consistent with Al Natour et al. (2025), emphasize that the effective implementation of forensic accounting depends on the development of specific professional competencies. These competencies are commonly categorized into four basic forensic accounting skills, namely analytical skills, effective communication skills, psycho-social skills, and accounting and auditing skills

(Chukwu et al., 2019).

Analytical skills facilitate the examination of financial data by enabling the recognition of unusual patterns and irregularities, whereas effective communication skills allow forensic accountants to present their findings clearly to relevant stakeholders. Psycho-social skills enable forensic accountants to interpret human behavior and evaluate responses associated with fraudulent conduct, while auditing skills equip them with the technical expertise required to assess internal control systems and examine audit evidence (Achmad et al., 2024; Al Natour et al., 2025). Therefore, integrating these four core forensic accounting skills represents a solution to enhance fraud detection ability (Alsheikh, 2025). Furthermore, this aligns with Competency-Based Theory, which explains that a persons performance is closely related to the competencies they possess. In this case, the ability of the forensic accountant to detect fraud is dependent on the scope of the forensic accounting expertise. Forensic accountant who has strong competencies are generally better at analyzing complex financial information and making appropriate professional judgments. Accordingly, the theory suggests that the development of forensic accounting competencies contributes significantly to improving fraud detection effectiveness.

Prior studies have explored the influence of forensic accounting skills on fraud detection ability. However, the findings remain mixed and inconsistent. For instance, research by Al Natour et al. (2025) and Achmad et al (2024) found that analytical skills do not have a significant effect on fraud detection, while others reported a significant positive effect (Afriyie et al., 2022; Gkegkas et al., 2025; Khaksar et al., 2021; Razali & Sulaiman, 2025). The inconsistent findings reported in previous studies may result from differences in the methods used to measure variables as well as variations in the research settings. In addition, prior research often investigates the effect of forensic accounting skills indirectly through mediating variables, which limits understanding of the direct relationship between each skill and fraud detection ability (Achmad et al., 2024; Al Natour et al., 2025; Edy & Am, 2025; Gomez, 2025).

Moreover, existing studies tend to focus separately on either the public sector or the private sector (Mappisabbi et al., 2025; Afriyie et al., 2022). Therefore, there are still limited empirical study that comprehensively examines the direct effect of forensic accounting skills across both sectors. Therefore, this study seeks to address these research gaps by assessing the direct effects of analytical skills, effective communication skills, psycho-social skills, and auditing skills on the fraud detection ability of forensic accountants in Indonesia's public and private sectors.

1.2 Research Objectives

Based on the research questions presented above, this study is designed to achieve the following objectives:

1. To examine the relationship between analytical skills and fraud detection ability among forensic accountant in Indonesia.
2. To examine the relationship between effective communication skills on fraud detection ability among forensic accountant in Indonesia.
3. To examine the relationship between psycho-social skills on fraud detection ability among forensic accountant in Indonesia.
4. To examine the relationship between auditing skills on fraud detection ability among forensic accountant in Indonesia.

1.3 Research Problem

The high prevalence of fraud and corruption in Indonesia, as described in the preceding background, indicates that fraud represents a complex and evolving issue that cannot be adequately addressed solely through conventional audit procedures. Forensic accounting skills, which include analytical skills, effective communication skills, psycho-social skills, and auditing skills, are regarded as essential competencies for improving the accuracy of fraud detection. However, as highlighted in the literature, empirical evidence regarding the direct effect of these four dimensions on fraud detection remains limited and inconclusive, particularly in the Indonesian context. This gap underlines the need for further empirical studies to explore the contribution of these competencies to effective fraud detection in practice.

Therefore, this study examines the effect of forensic accounting skills on fraud detection among forensic accountants working in both government and private institutions in Indonesia. Forensic accountants in government institutions play a crucial role in auditing public sector financial management and ensuring accountability. In contrast, those in private institutions are responsible for examining corporate financial statements and identifying fraudulent activities. Given the differences in organizational environments and responsibilities, both groups are highly relevant in understanding how forensic accounting skills influence fraud detection across sectors. Based on the research background described above, the research questions in this study are as follows:

Based on the research background described above, the research questions in this study are as follows:

1. What is the relationship between analytical skills and fraud detection ability among forensic accountant in Indonesia?
2. What is the relationship between effective communication skills and fraud detection ability among forensic accountant in Indonesia?
3. What is the relationship between psycho-social skills and fraud detection ability among forensic accountant in Indonesia?
4. What is the relationship between auditing skills and fraud detection ability among forensic accountant in Indonesia?

1.4 Research Benefits

This research is expected to provide the following benefits:

1. Theoretical Benefits

   This study is expected to contribute to the development of forensic accounting and auditing literature, particularly regarding forensic accounting skills and fraud detection ability. The empirical findings of this study can serve as a reference for future researchers seeking to understand how analytical, effective communication, psychosocial, and auditing skills relate to fraud detection ability. In addition, this study enriches the literature on Competency-Based Theory by explaining how individual competencies can support professional performance in detecting fraud, particularly among forensic accountants in Indonesia.

2. Practical Benefits

   a. Institutions

      The findings of this study are expected to provide useful insights for institutions, particularly BPK and KAP, in strengthening forensic accounting competencies to enhance fraud detection practices. The findings may help institutions identify which skills need strengthening to improve the effectiveness of fraud detection.

   b. Forensic Accountants and Auditors

      This research may serve as a useful reference that provides information and insights for forensic accountants and auditors to improve their professional competencies. In addition, the findings can assist them in understanding the importance of analytical, communication, psycho-social, and auditing skills in supporting fraud detection.

   c. For researchers and academics

      This study is expected to provide an academic reference that enhances understanding of the relationship between forensic accounting competencies and fraud detection capability among public sector institutions and public accounting firms in Indonesia.

1.5 Writing Systematic

This research paper is written systematically to provide a clear and structured overview of the research discussion. The writing structure of this research paper is as follows:

CHAPTER I: INTRODUCTION

The chapter presents an overview of the research. It outlines the research background that explains the phenomena and the problems that underpin the investigation. In this chapter also which stated the study topic, the research aims to be attained, and the research advantages, both theoretically and practically. Additionally, this chapter includes a description of the writing system, which provides an overview of that thesis's structure.

CHAPTER II: LITERATURE REVIEW

The theoretical basis and relevant literature are covered in this chapter. It starts with the primary theory employed in this research, Competency-Based Theory, which describes how professional performance and individual competencies are related. Additionally, this chapter discusses the concepts of fraud, fraud detection ability, forensic accounting, forensic accountants, and forensic accounting skills. In addition, this chapter where provides a review of prior empirical studies, the theoretical framework, and the development of research hypotheses that pertain to the correlation between fraud detection ability and forensic accounting skills.

CHAPTER III: RESEARCH METHODOLOGY

The methodology used in this investigation is described in this chapter. It explains the methodology used to investigate the connection between fraud detection capacity and forensic accounting expertise. The demographic and sample, data sources, data collection techniques, pilot test, and operational definitions of the research variables are also presented in this chapter. This chapter also describes the data analysis methods used in the study, such as measurement model testing, structural model testing, descriptive analysis, and PLS-SEM hypothesis testing.

CHAPTER IV: RESULTS AND DISCUSSION

This chapter presents the research results and discussion. It includes the questionnaire response rate, respondent profile, data analysis using SPSS and SmartPLS, measurement model, structural model, predictive relevance, and hypothesis testing. The findings are discussed based on theory and previous studies on forensic accounting skills and fraud detection ability.

CHAPTER V: CONCLUSION

The study's conclusions, which are based on the research findings, are presented in this chapter. It also outlines the limits, consequences, and recommendations for further study. The conclusions are related to the relationship between each variable.