

Abstract:
Despite increased attention to internal controls and risk assessment, traditional audit approaches do not seem to be highly effective in uncovering the majority of frauds. Less than 20 percent of all occupational frauds are uncovered by auditors. Forensic accounting has recognized the need for automated approaches to fraud analysis yet research has not examined the benefits of forensic continuous auditing as a method to detect and deter corporate fraud. The purpose of this paper is to show how such an approach is possible. A model is presented that supports the acceptance of forensic continuous auditing by auditors and management as an effective tool to support the audit function, meet management's regulatory objectives, and to combat fraud. An approach to developing such a system is presented.

Keywords: Fraud; Reporting requirements; Auditing standards; Risk assessment; Cost control