

# Forensic Accounting: The Case of Saudi Arabia

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## Abstract

In this work, forensic accounting and fraud management strategies in Saudi Arabia are examined based on the information obtained by administering 120 questionnaires to the industry professionals representing an electricity company, a cement company, and a telecommunications company, as well as the academics from the accounting and the law department of King Khalid University. The obtained results indicate a significant difference in the duties performed by external financial auditors and forensic accountants. However, in both cases, effective tools are needed for uncovering fraudulent practices, including asset misappropriation and insider transactions.

## Keywords

Forensic Accounting, External Auditor, Economic Crime, Fraud Management, Financial Misconduct, Saudi Arabia

## 1. Introduction

Although forensic accounting has become a common practice in most parts of the world, many practitioners as well as academics are not aware of what the duties and responsibilities of these professionals entail. Likewise, it is difficult to ascertain which forensic accounting strategies are currently used in fraud detection and prevention in different countries. Yet, as noted by Kasum (2009), both private and public sectors would benefit from forensic accountants as these professionals have the capacity to reduce the prevalence of fraud and corruption.

Forensic accountants are usually called upon when fraud, asset misappropriation or insider training is suspected (Okoye & Gbegi, 2013). In this context, the term “forensic” signifies that the evidence produced can be used in courts during litigation. Thus, the primary duty of forensic accountants is to establish whether an entity being assessed has taken part in any illegal financial activities, but may also involve different types of evaluations.

According to Al-Saad (2013), forensic accountants can be engaged by courts

to give evidence in financial cases. However, in Saudi Arabia, due to the low level of understanding of the roles and responsibilities of forensic accountants, many equate them with financial auditors. Thus, during legal proceedings, it can be difficult to identify the most appropriate professionals with the knowledge and expertise in relevant domains. To address these issues, the author called for additional training both as a part of formal education and in the context of ongoing professional development.

The study conducted by [Ehioghiren \(2016\)](#) focused on Nigeria, indicating that, while forensic accounting is still a relatively new field in this country, it has the potential to improve the fraud detection and control effectiveness. However, like in Saudi Arabia, many industry professionals are unaware of the differences between forensic accountants and external auditors, suggesting the need for further training and education. Likewise, greater government oversight is needed to ensure that corruption agencies follow the rules and operate as expected.

In the same year, [Alhassan and Saad \(2016\)](#) reported their findings based on a survey conducted in the Asir region of Saudi Arabia. While 96% of the respondents concurred that financial and administrative corruption can be effectively mitigated through forensic accounting, for this goal to be attained, it is necessary for the entire system to be redesigned, with much greater government oversight.

Guided by the findings reported above, the aim of the present study is to assess the role of forensic accountants in fraud prevention in Saudi Arabia from the perspective of industry professionals.

### 1.1. Statement of the Problem

Given the many highly publicized cases involving fraudulent practices in recent years, to mitigate this growing problem, it is evident that greater control and oversight is needed in both public and private sectors. As in many of these cases internal or external auditors were also implicated, highly skilled and educated forensic accountants are needed to detect fraud, asset misappropriation, and insider trading ([Izedomin & Mgbame, 2011](#); [Kasum, 2009](#); [Okoye & Akamobi, 2009](#); [Owojori & Asaolu, 2009](#); [Al-Khasawneh, 2022](#)). As pointed out by [Modugu & Anyaduba, 2013](#); [Pan, 2016](#); [Hossain & Johora 2024](#)), in some countries such as Nigeria and Developing Countries, corruption and Economic Crime: Tax Evasion have become so widespread that the public has lost confidence in institutions, necessitating much greater government involvement in the creation of professional bodies that can independently review the operations of commercial entities in both private and public sector ([Lamaj, 2023](#)).

### 1.2. Study Objectives

As the available evidence suggests the need for a much more comprehensive understanding of the roles and responsibilities of forensic accountants, as well as greater delineation between their duties and those of external auditors, the aim of this work is to establish the general perceptions of forensic accountants

among the industry practitioners and academics, as well as offer some guidelines on the ways that these professionals can assist in the reduction and control of fraudulent practices in Saudi Arabia.

### 1.3. Research Questions

To address these aims, the study is guided by the following research questions:

- 1) What role do forensic accountants play in fraud control and management in Saudi Arabia?
- 2) What differentiates forensic accountants from external auditors in Saudi Arabia?

### 1.4. Research Hypotheses

To answer the research questions noted above, a survey of random sampling was conducted involving 120 industry professionals representing an electricity company, a cement company, and a telecommunications company, as well as academics from the accounting and law departments of King Khalid University. Paper questionnaires were handed out to all employees in the chosen companies in Abha, with a focus on accounting. Additionally, paper questionnaires were given to a few individuals in the law and accounting department at the College of Business. To expand the sample size, the questionnaire was also sent via email. The data collected was analyzed using SPSS 23 to either support or reject the null hypotheses and accept their alternatives. It is widely accepted among statisticians that a minimum sample size of 100 is necessary to obtain meaningful results (Anderson & Gerbing, 1984).

**H01:** Forensic accounting does not play a significant role in fraud control and management in Saudi Arabia.

**H02:** There is no significant difference between the duties of traditional external auditors and those of professional forensic accountants in Saudi Arabia.

## 2. Methodology

As noted above, 120 individuals took part in the present study. To ensure that the information provided is pertinent to the research questions, the surveyed cohort comprised accountants working for both public and private companies, internal and external auditors, as well as top management staff. The survey instrument used in the study was reproduced (with minor adjustments) from the work published by Modugu and Anyaduba (2013). The survey responses were provided on a 5-point Likert scale (anchored at 1 = “strongly disagree” and 5 = “strongly agree”) to facilitate subsequent analyses.

## 3. Discuss the Results

### 3.1. The Role of Forensic Accountants in Financial Fraud Control and Management

**H01:** Forensic accounting does not play a significant role in fraud control and

management in Saudi Arabia.

In **Table 1**: As can be seen from the results presented above, the independent variables can explain 38.4% of the changes in the dependent variable.

The Reliability: According to **Chin (1998)** suggested that R2 values for endogenous latent variables should be interpreted as follows: 0.67 (substantial), 0.33 (moderate), 0.19 (weak). As shown in **Table 1**: Model Summary: Multiple Regression, the R Square value of 0.384 falls within the moderate range.

**Table 1.** Model summary: multiple regression.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.620 <sup>a</sup>	0.384	0.357	2.700

Outputs of SPSS 23.

As shown in **Table 2**: the F-values associated with all three variables are below 5%, the null hypothesis is rejected. Thus, the alternative hypothesis is accepted, indicating that forensic accounting significantly influences fraud control and management

**Table 2.** Model Sig. Test: ANOVA<sup>a</sup>.

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	518.507	5	103.701		
1	Residual	831.360	114	7.293	14.220	0.000
	Total	1349.867	119			

<sup>a</sup>Dependent Variable: Forensic accounting is effective as a fraud detection tool.

In **Table 3**: It also has a positive influence on the identification of reversible insider transactions, as evidenced by the corresponding B-values (1.908, 0.841, and 0.751). Variable descriptions in **Table 3**: Forensic accounting helps reduce Instances of misappropriated funds or assets, financial transactions that are not accurate or correct and as well as detecting fraud.

**Table 3.** Coefficients.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
(Constant)	14.669	1.816		8.080	0.000	
3	X2	1.908	0.433	0.373	4.408	0.000
	X4	0.841	0.233	0.274	3.606	0.000
	X3	0.751	0.359	0.175	2.090	0.039

Dependent Variable: Forensic accounting is effective as a fraud detection tool.

Validity coefficients are important indicators of the usefulness of a test. Gen-

erally, a higher validity coefficient indicates that the test is more beneficial. Validity coefficients typically range from  $r = 0.21$  to  $r = 0.35$  for a single test. The values in **Table 3** under Unstandardized Coefficients and Standardized Coefficients are mostly valid *HR-Guide* (1999).

### 3.2. The Capacity of Forensic Accounting to Enhance Internal Control Quality and Financial Reporting Credibility

**H02:** There is no significant difference between the duties of traditional external auditors and those of professional forensic accountants in Saudi Arabia.

The results presented above indicate that the surveyed professionals recognize the difference in the duties performed by forensic accountants and external auditors, as all calculated sig. level values are below 0.05. Accordingly, the alternative hypothesis is supported.

Variable descriptions in **Table 4** Forensic accounting may contribute to reducing the risk of fraud, and improving internal control systems, contributing to the quality of financial reports, transparency for stakeholders, learning forensic accounting gives the accountants the skills and competencies required to prepare high-quality financial reports and decrease the incidences of fraud in financial reporting.

**Table 4.** One-sample test results.

One-Sample Test					
Test Value = 3					
Variable	N	Mean	Std. Deviation	t	Sig. (2-tailed)
X5	120	4.27	0.66	21.10	0.000
X6	120	4.22	0.66	20.09	0.000
X7	120	4.18	0.87	14.91	0.000
X8	120	4.38	0.68	22.42	0.000
X9	120	4.43	0.63	24.86	0.000
X10	120	4.04	0.78	14.59	0.000
X11	120	3.51	1.04	5.37	0.000

Dependent Variable: Forensic accounting is effective as a fraud detection tool.

## 4. Conclusions and Recommendations

This study aimed to gain insight into the views held by Saudi professionals regarding the roles and responsibilities of forensic accountants and their capacity to prevent fraudulent practices in Saudi Arabia. Given that incidences of fraud are on the rise globally, it is essential to implement effective measures within the country to ensure that both public and private sectors are free from corruption and that all institutions are accountable to the legal and professional standards. As this work has shown, Saudi professionals are well informed on the duties of forensic accountants and can differentiate them from those held by internal and

external auditors. Still, further education is needed both at the university level and in the form of ongoing professional training to ensure that this highly valuable profession can operate at the highest level. With the help of the government and other institutions, it has the potential to make a significant impact on the level of financial fraud and other issues that can undermine not only the country's economy but also its reputation at the global level.

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## Conflicts of Interest

I declare that I have no competing or conflicts of interest as an author.

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## Appendix. The Survey Instrument Used to Gather the Study Data

**Note:** The instrument was reproduced (with minor adjustments) from “Forensic accounting and financial fraud in Nigeria: An empirical approach” published in 2013 by Modugu, K. P. and Anyaduba, J. O. in *International Journal of Business and Social Science*, 4(7), 281-289.

### Instructions

Please tick or mark (√) in the boxes provided where appropriate.

### Questions: Pertaining to Forensic Accounting and Financial Fraud

When responding to these questions, please indicate your level of agreement/disagreement with each statement considering your knowledge and the situation in the Kingdom of Saudi Arabia, and specifically your experience at your company.

#### Forensic Accounting and Financial Fraud Control

1) Forensic accounting can be used to locate diverted funds or assets.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

2) Forensic accounting can be used to identify misappropriated assets and identify reversible insider transactions.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

3) Forensic accounting is effective as a fraud detection tool.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

4) Forensic accounting is sufficient as a tool for detecting suspicious or fraudulent transactions.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

5) Risk assessment processes performed by forensic accountants specifically cover the risk of fraud.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

#### Forensic Accounting and Internal Control Quality

6) Forensic accounting is effective in designing internal control systems.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

7) Forensic accounting is effective in the monitoring and evaluation of internal control systems.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

#### Forensic Accounting and Financial Reporting Credibility

8) Forensic accounting enhances the quality of financial reporting.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

9) Forensic accounting improves stakeholder confidence in corporate financials.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

**10)** Accountants/auditors with forensic accounting skills contribute to the financial reporting quality.

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree

**11)** Forensic investigations focus on fraud detection and thus reduce financial reporting “expectations gap.”

(a) Strongly Agree (b) Agree (c) Undecided (d) Disagree (e) Strongly Disagree