

Current Affairs Noticeboard

Evidence of increasing importance of fraud detection

An article relating to the growth of forensic accounting services offered by KPMG and PriceWaterhouseCoopers (PWC) notes that fraud detection services is a strong growing market. (Fenton-Jones, 2004c., p.57). Other references to forensic accounting in the media include the labour government in Victoria employing Deloitte Forensic to investigate the sources of a leak of documents regarding the government's breaching an election promise not to charge tolls on a major freeway to be built (Foley, 2004, p.4). Relevant points from the Fenton-Jones' article that demonstrates the increasing size of the market in fraud detection and therefore its increased importance to society are:

- In Australia, it is estimated that these firms service in part a market worth approximately \$60 million to \$70 million.
- PWC has seven partners and a team of more than 50. KPMG has three partners and several directors with a team of 50 persons.
- Strong growth is expected on the future, with recruitment of staff likely.
- The practices are heavily investing in IT. The firms are designing programs "to analyse the billion pieces of data in the form of email to prove a cyber crime (Fenton-Jones, 2004c, p.57).

Bartlett et al., (2004) in providing guidance on what should be discussed in audit planning meeting in relation to fraud suggest a fraud specialist should be present at these discussions (p.67). Para. .67 of AUS 210 (ISA 240:.67) states that an expert in forensic accounting or IT may be assigned to the audit based upon the auditor's assessment of the possibility of material misstatement due to fraud.

References

Australian & Assurance Standards Board of the Australian Accounting Research Foundation, 2004, *AUS 210 - The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements*, June, www.aarf.asn.au

Bartlett Nigel, Endo Richard, Tonkin Campbell and Williams Alastair, 2004, Audit planning for the detection of fraud, in Johnson R (ed), *Readings in Auditing*, John Wiley & Sons Australia, Ltd, Brisbane, pp.58-70.

Fenton-Jones Mark, 2004c, "Accounting sleuths go to war", *The Australian Financial Review*, 22 October, p.57

Foley Brett, 2004, "Bracks may call in police to trace leak", *The Australian Financial Review*, 26 October, p.4