JOURNAL OF ACCOUNTING, FINANCE AND AUDITING STUDIES

http://www.jafas.org

Fraud Evasion Triangle: Why Can Fraud Not Be Detected?

Emre Ergin[a]   **İlkay Ejder Erturan**[b]

[a] Corresponding author, Kocaeli University, Turkey, emre.ergin@kocaeli.edu.tr
[b] Düzce University, Turkey, ilkayerturan@duzce.edu.tr

Abstract

Purpose: The purpose of this article is to construct a framework, called fraud evasion triangle, which explains why today's business environment cannot detect fraud. After identifying the factors that prevent fraud from being detected, radical solutions to fight fraud are proposed for each of these three factors.

Design/methodology/approach: A qualitative research approach is selected conducting interviews with certified public accountants, independent auditors and finance officers in different sectors. They ara asked open-ended questions to explain the types of frauds they have witnessed, the reasons for frauds happened, the reasons why frauds could not be prevented and possible measures to prevent frauds.

Findings: The findings show that today's business tools to combat with fraud are not sufficient. Most of the literature and research papers show the reasons of fraud, and don't explain why fraudulent activities are not prevented. In fact, knowing the motives of fraudsters are not essentials for detecting the fraud. The paper put the obstructive factors of fraud detection into three categories, namely crafty perpetrators, dependent internal auditors, and external audit design.

Practical implications: The increasing tendency of fraud is not reversed although regulators put standards, and firms allocate more funds to combat with fraud. The article proposes solutions for each of the three factors of the fraud evasion triangle. Most of the proposed solutions can be easily implemented while some solutions require global consensus and legislation change.

Originality/value: This paper explains why it is difficult to detect frauds in a new explanatory framework, and offers radical solutions to fight fraud.