

# The Impact of External Auditor Forensic Accounting Competencies on Financial Performance of Listed Companies on the Indonesia Stock Exchange

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**Abstract.** As business complexity and financial fraud risks grow, external auditors play an increasingly vital role in maintaining the integrity of financial statements. Competencies such as forensic accounting are believed to enhance audit quality by strengthening fraud detection and prevention. Therefore, this study examines the impact of External Auditor Forensic Accounting Competencies (EAFAC) on the financial performance of companies listed on the Indonesian Stock Exchange in 2024. Using a quantitative approach, the research analyzes data from 282 companies selected through simple random sampling. Company size, leverage, and company age are included as control variables, and the data are analyzed using multiple linear regression in SPSS. The results show that, both partially and simultaneously, all variables have a significant effect on financial performance. Specifically, EAFAC and company size have a positive effect, while leverage and company age have a negative effect. Overall, these findings confirm that implementing forensic accounting competencies within external audit practices is a strategic investment to improve company financial performance, especially through more effective risk mitigation and fraud prevention. However, the research also identified challenges in implementing these competencies, especially within the Big Four public accounting firms, indicating room for further improvement and standardization in Indonesia's audit profession.

**Keywords:** Forensic Accounting Competencies, External Auditor, Financial Performance, Profitability, Fraud

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## Introduction

In recent years, fraud has emerged as a serious issue in Indonesia, affecting both public and state-owned companies. The 2023 Fraud Trends Monitoring Report published by Indonesia Corruption Watch (ICW) documented 791 fraud cases, reflecting a 37% increase compared to the 579 cases reported in the previous year (Rahmawati & Juliarto, 2025). This escalation in fraud frequency underscores a significant threat not only to individual companies but also to Indonesia's economic environment as a whole (Usman, 2023). Fraud inflicts direct financial losses, undermines investor confidence, and damages corporate reputation (Dong et al., 2018; Usman, 2023). At the macroeconomic level, persistent fraudulent practices can threaten economic stability and undermines the prospects of sustainable growth (Prihatmanto et al., 2023), particularly as foreign investors increasingly question the credibility of regulatory frameworks that exist in principle but are inconsistently enforced in practice (Kennedy, 2018).

High-profile cases, such as the financial statement manipulation cases involving PT Garuda Indonesia and Jiwasraya Insurance in 2018, along with corruption scandals in Wilmar in 2022, Pertamina and PT Timah in 2025, have caused substantial financial losses and raised serious concerns about corporate accountability. These particular cases reveal a troubling pattern where fraudulent practices are orchestrated at the senior management level, this observation is consistent with the findings of Saptono & Purwanto (2022), who note that fraud in Indonesian state-owned enterprises (BUMN) frequently involves directors and top executives. Multiple sources reinforce this trend, the KPMG (2025) Global Profiles of the Fraudster and the ACFE (2025) Indonesia Fraud Survey identify high-level executives, directors, and managers as the most common perpetrators. This pattern of fraudulent practices conducted by high level management underscores a critical vulnerability in corporate governance, senior managements possess the authority to make strategic decisions, control resources, and, most importantly, the ability to override internal control systems (Saptono & Purwanto, 2022). This ability held by senior management to bypass control is a primary enabler of fraud (Muslim, 2025; Saptono & Purwanto, 2022). For instance, the ACFE (2024) Report to the Nation found that over half of occupational frauds were attributed to

either a lack of internal controls (32%) or an override of existing ones (19%). This finding is echoed in the ACFE (2025) and KPMG (2025) surveys which reports that weak internal controls were a primary contributor in 40% and 76% of cases. This data underscores the systemic weakness in relying solely on internal controls to prevent fraud (Muslim, 2025).

This situation emphasizes the necessity of independent oversight, particularly from external auditors, who play a vital role in safeguarding the integrity of a company's financial statements and internal controls (Sapiri, 2024; Solagracia et al., 2021). Their presence is considered so fundamental that, according to the ACFE (2024) report, external audits are the second most common anti-fraud controls, implemented in 84% of victim organizations. However, despite their widespread application, traditional financial audits have inherent limitations in detecting increasingly complex fraudulent schemes (Mircheska et al., 2020). This limitation is starkly evident in their effectiveness rates, reports from the ACFE (2024, 2025) and KPMG (2025) consistently show that external audits are responsible for triggering fraud detection in only a small fraction of cases, ranging only from 3% to 7%. Given this glaring disparity between prevalence and performance, there is a clear need for more in-depth audit approaches that extend beyond the conventional scope of financial audits, which primarily focus on historical compliance and are often inadequate for identifying sophisticated schemes that are specifically designed to circumvent standard audit procedures (Handoyo, 2024; Ilori et al., 2024). This highlight the strategic value of specialized forensic accounting expertise to uncover concealed and intricate fraudulent activities (Ibrahim et al., 2025). While this research does not aim to examine every dimension of forensic accounting, it focuses specifically on the competencies of external auditors in this field and how these competencies may contribute to reducing fraud, improving financial reporting quality, and ultimately enhancing company financial performance.

A previous study by Alkhalaileh et al. (2024) provided empirical evidence of the positive impact of forensic accounting competencies on the financial performance of listed companies in the Amman Stock Exchange (ASE). However, there is a significant literature gap regarding the applicability of these findings to the context of emerging markets in Southeast Asia, particularly Indonesia. This gap is

critical, given the unique characteristics of the Indonesian corporate ecosystem, which is characterized by a high rate of corruption. The ACFE (2025) survey, for instance, reported that 48% of fraud cases in Indonesia were related to corruption. This is further reflected in the 2024 Corruption Perception Index, where Indonesia ranks 99<sup>th</sup> out of 183 countries with a score of 37 out of 100, significantly lower than Jordan, which ranks 59<sup>th</sup> with a score of 49 (TI, 2024). This distinct environment raises questions about whether forensic accounting competencies would have a similarly strong impact in Indonesia. Furthermore, while numerous prior studies have explored the crucial role of forensic accounting in detecting and preventing fraud in Indonesia, a substantial gap remains in understanding its potential implications for companies' financial outcome. To the best of the researchers' knowledge, empirical studies that examine the influence of forensic accounting and its associated competencies among external auditors on company's financial performance in the Indonesian context is still lacking. Therefore, this research seeks to fill this gap by investigating the relationship between external auditors' forensic accounting competencies and corporate financial performance in the unique context of the Indonesian capital market.

This research is expected to make significant contributions both theoretically and practically. Theoretically, this research will be one of the first empirical studies in Indonesia to quantitatively examine the relationship between auditors' forensic accounting competencies and corporate financial performance. The results will enrich the financial accounting literature in the context of emerging Southeast Asian markets and provide evidence regarding the generalizability of the findings from previous studies by Alkhalileh et al. (2024) across different institutional environments. Practically, the findings of this study can hopefully provide valuable input for several parties. First, for regulators such as the Indonesian Institute of Certified Public Accountants (IAPI) and the Financial Services Authority (OJK), these results can serve as a basis for consideration in developing competency standards and forensic accounting training for auditors. Second, for Public Accounting Firms (KAP), this research can serve as a foundation for developing programs to increase auditor capacity in detecting fraud, ultimately improving audit quality. Third, for investors and company management, these results emphasize the important role of auditors with specialized expertise in maintaining the integrity of financial statements.

### *Resource Dependence Theory*

Resource Dependence Theory is a concept formulated by Pfeffer and Salancik in 1978, which essentially states that organizations can't be completely self-sufficient (Chiang & Chuang, 2024; Jiang et al., 2022). Instead, every organization is described as an open system that must actively acquire essential resources from the external environment to survive and thrive (Chiang & Chuang, 2024; Dieleman & Widjaja, 2019). These resources can be tangible, such as capital, raw materials, and technology, or intangible, such as information, specialized expertise, and legitimacy (Akram et al., 2022; Dieleman & Widjaja, 2019; Qin et al., 2024). The need to obtain these external resources inherently creates a relationship of dependence with the other party controlling those resources (Kohtamäki, 2024). This dependence is not merely a relationship, but rather the foundation of a power dynamic, whereby those who control scarce and vital resources wield significant influence over the organizations that rely on them, creating uncertainty and threatening their autonomy (Chiang & Chuang, 2024; Dieleman & Widjaja, 2019; Febrianti et al., 2024; Jiang et al., 2022). Consequently, Resource Dependence Theory (RDT) explains that much of an organization's behavior and strategy can be understood as an ongoing effort to manage this dependence (Fiorini et al., 2018). Rather than succumbing to environmental pressures, managers proactively seek to reduce their vulnerability through various means, such as seeking alternative suppliers, forming strategic alliances or joint ventures to share resources, placing representatives on other companies' boards (board interlocks), and even undertaking mergers or acquisitions to absorb and control these crucial resources (Chae et al., 2022; Issah, 2025; Pulles et al., 2023; Zona et al., 2018).

In the context of corporate governance, especially within an Indonesian corporate environment characterized by escalating fraud risks and skeptical investors, one of the most fundamental and structured forms of dependency is the relationship with external auditor (Fathelbab & Quba, 2025). This dependency is mandatory, driven by regulations such as the Law No.40 of 2007 and POJK No. 9 of 2023, which require financial statements of public companies to be audited by a public accountant from an independent public accounting firm (OJK, 2023; RI, 2007). External auditors provide critical resources in the form of legitimacy and credibility (Calocha & Herwiyanti, 2020). The external audit function is performed to

obtain independent assurance that reported financial performance has been fairly and accurately presented in the company's financial statement (Purba et al., 2025; Rafly & Handayani, 2025). The external validation of this audit is essential in ensuring public and investor confidence (Calocha & Herwiyanti, 2020; Rafly & Handayani, 2025). However, RDT teaches that not all dependency relationships are of equal value (Febrianti et al., 2024; Kohtamäki, 2024). Companies can proactively manage these dependencies to transform them from mere liabilities into strategic advantages (Febrianti et al., 2024). This can be achieved by choosing external auditors who possess not only auditing knowledge, but also forensic accounting competencies (Alkhalaileh et al., 2024). These competencies are a rare, value-added resource that significantly enhances the auditor's ability to detect and prevent fraud (Alshurafat et al., 2025), especially at the top management level, which often has the ability to override internal control systems (Achmad et al., 2024). By utilizing auditors with forensic accounting expertise, companies effectively diversify their monitoring mechanisms. This aligns with the RDT principle of mitigating risk by not relying on a single resource, or in this case, a single control mechanism (a vulnerable internal controls) (Febrianti et al., 2024). Reliance on external auditors with forensic expertise is a smart risk mitigation strategy, reducing the likelihood of governance failures and protecting company assets from potential losses due to fraud (Dailibas et al., 2024; Netshifhefhe et al., 2024). The implications for financial performance are clear, improved audit quality thanks to forensic accounting competence leads to more reliable financial reports, which in turn strengthens stakeholder trust, facilitate access to greater funding opportunities, and reduce direct financial losses from prevented fraud (Desi et al., 2023; Oriku & Bagaka, 2025; Rathnayake et al., 2021). Thus, the implications of external auditor with forensic accounting competencies in RDT framework provides an explanation of how strategic decisions in selecting an external partner (auditor) can transform a mandatory dependency into a key driver of improved financial performance, ultimately strengthening the company's power and position in the capital market.

### *Forensic Accounting*

Forensic accounting is a specialized discipline which integrates the expertise from accounting, auditing, investigation, and law (Alshurafat et al., 2021). The purpose of forensic accounting is to

analyze financial transactions and activities that are suspected of violating regulations and accounting standards (Firmansyah et al., 2024). By using the aforementioned competencies, forensic accountant is equipped with the tools to acquire and present the evidence clearly (Saputri et al., 2025). Accounting and auditing competencies provide the foundation for financial principles and method in examining financial statement. With investigative expertise, a forensic accountant is able to think critically, foster professional skepticism, and communicate proficiently, enabling in-depth understanding of methods to gather information and turn it into evidence (Arianto et al., 2023). Lastly, knowledge in relevant law will ensure that the evidence gathered is in compliance with the applicable law, thereby making the findings admissible in court (Dagunduro et al., 2024). With this, forensic accountant is not only able to identify and uncover financial irregularities, but also quantify financial losses incurred, and most importantly present findings in legal proceedings (Alhumoudi & Alhumoudi, 2023). For example, in a corporate context, the application of forensic accounting can not only help in early detection against the emergence of fraud (Arianto et al., 2023), but also in business valuation, intellectual property disputes, breach of contract and shareholder disputes (Boakye-sarkodie, 2023). This creates a key difference between forensic accounting and financial auditing. While a financial audit focuses on preparing audit report about the fairness and accuracy of financial statements, forensic accounting focuses on preparing investigative reports on suspected financial crimes that serve as legal evidence in court (Alkhalaileh et al., 2024). Furthermore, the methods used between the two disciplines also differ. A financial audit generally apply materiality thresholds, conduct substantive and compliance testing, and ultimately issue an audit opinion (Mayuri et al., 2024). In contrast, forensic accounting includes methods that are more investigative in nature, including tracing unusual transactions, interviewing key personnel, tracking flow of funds, and analyzing digital evidence and pattern (Boakye-sarkodie, 2023; Maulidi et al., 2025).

The development of digital technology has led to an explosion in the volume and complexity of business transactions. While simultaneously creating efficiency, it is also giving rise to far more sophisticated fraudulent schemes (Bello & Olufemi, 2024). Schemes such as data manipulation, layered transactions, and concealed liabilities have made traditional audit approaches ineffective. This situation widens the audit expectation gap, which is the gap

between what the public expects from an auditor (to also uncover fraud) from the actual scope and responsibility of financial audit (which is providing reasonable assurance) (Pramono & Hanief, 2022). Traditional auditors are not specifically trained as investigators, thus, it is unreasonable to absolutely rely on them in detecting fraud (Alkhalaileh et al., 2024; Pramono & Hanief, 2022). Furthermore, financial audit can be misled by sophisticated manipulations and overrides orchestrated by management (Alkhalaileh et al., 2024; Maulidi et al., 2025; Pramono & Hanief, 2022). As stated by Dimitrijevic et al. (2021) and Kassem (2024), traditional audits face some limitations in dealing with complex fraud schemes. Therefore, integrating forensic accounting competencies into the audit process is no longer an option but a strategic solution to narrow the expectation gap, providing a stronger layer of defense, and protect companies from the financial and reputational impacts of fraud (Abidoeye et al., 2023; Ahmad et al., 2025; Alkhalaileh et al., 2024).

#### *The Impact of External Auditor Forensic Accounting Competencies on Financial Performance*

To effectively address fraud related challenges, auditors require necessary training and qualification to acquire forensic accounting competencies. A study by Singleton and Singleton as cited in Arianto et al. (2023) has identified these seven forensic accounting competencies, emphasizing the importance of combining technical and non-technical skills. According to Arianto et al. (2023), the foundation of a forensic accountant is a *reinforced mindset*, where they must think innovatively, creatively, and progressively, which includes applying deep professional skepticism to all forms of information. This mindset then becomes the foundation for *information management* skills, namely the ability to identify crucial data from a minimal amount of information, including expertise in navigating digital information for pattern and traces. Furthermore, to gather important evidence, auditors must master *in-depth interviewing* techniques, asking the right questions in gathering testimonial evidence from involved parties. This evidence gathering process also requires *knowledge of the evidence* itself, auditors must understand the forms, methods, and ways of maintaining chain of custody of evidence. All of this is driven by proactive *investigative skills and mentality* to continually develop findings and conduct further investigations to uncover the complete picture of the crime. The core of this technical expertise lies

in the ability to *interpret financial information* comprehensively, which means auditors must be able to interpret the economic substance behind each transaction to uncover the true nature of the phenomenon. Finally, auditors must possess exceptional *communication skills*, meaning that they are able to present complex evidence into a logical, simple, and convincing narrative, easily understood by judges and juries in a court of law, ensuring the truth is upheld (Arianto et al., 2023).

Based on the theoretical framework of Resource Dependence Theory (RDT), which posits that companies are open systems whose survival depends heavily on its ability to acquire and manage resources from the external environment, such as capital from investors, loans from banks, and revenue from customers (Chiang & Chuang, 2024; Dieleman & Widjaja, 2019). The key foundation enabling access to all these external resources is the fundamental element of trust (Chiang & Chuang, 2024). Investors will only inject capital, banks will only provide loans, and customers will only remain loyal if they believe the company is managed with integrity and transparency (Hadiwibowo & Purwanti, 2024). However, when this trust is threatened, the company's ability to secure these vital resources becomes severely compromised, putting the company in jeopardy (Gurun et al., 2018). One of the greatest threats to this foundation of trust is fraud (Wang et al., 2024). When fraud occurs, it sends a negative signal that can destroy stakeholder confidence. As a result, investors become hesitant, banks are reluctant to provide loans, and customers may switch to competitors (Hidayah & Sayekti, 2023; Wang et al., 2024). Once trust is lost, the flow of vital external resources may be disrupted or even cease entirely (Zahoor et al., 2021).

Within the RDT framework, external auditor with forensic accounting competencies serves as a vital strategic mechanism (Alkhalaileh et al., 2024). This competence transforms the audit from a mere compliance obligation into a proactive tool for managing the company's resource dependence by maintaining and strengthening the foundation of trust (Chiang & Chuang, 2024; Hussin et al., 2025). Auditors equipped with forensic accounting competencies provide more than just an assurance on the fairness of financial statements (Mircheska et al., 2020). They provide an additional layer of credibility by actively contributing to fraud prevention and detection (Ede et al., 2025; Ibrahim et al., 2025). This proactive stance mitigates risk of fraud by minimizing potential losses, litigation cost, and reputation damage incurred due to fraud (Alkhalaileh et al., 2024).

Previous studies have demonstrated the effectiveness of forensic accounting in detecting and preventing fraud (Adekunle, 2025; Akinyemi & Eke, 2023; Elizabeth & Edobor, 2019; Mulyadi & Nawawi, 2020; Mulyandini & Simatupang, 2022; Raharjo et al., 2020). This enhanced capability sends a strong signal to the market that the company has strong defenses against malpractice, thereby increasing trust in the company and strengthens shareholder confidence (Gurun et al., 2018). With lower risk and higher confidence, companies can secure external resources more efficiently (Afrila et al., 2024). Ultimately, this improved audit quality enhances the overall quality of financial reporting, which has been shown to have a positive impact on financial performance (Abd-Elnaby et al., 2021; Asyik et al., 2025; Iqbal et al., 2024; Sohail et al., 2019). The combination of reduced financial losses and a more stable flow of resource, secured at a lower cost of capital due to heightened investor trust, will ultimately contribute to a company's bottom line (Alkhalaileh et al., 2024). Based on this framework of thought, the hypothesis proposed in this study is as follows:

H<sub>1</sub>: The External Auditor Forensic Accounting Competencies have a positive effect on Financial Performance

## Research Method

This research employs a quantitative approach with a causal-explanatory design to examine the relationship between the independent and dependent variables and to control for other variables that could potentially influence the relationship. The population in this research consists of all companies listed on the Indonesia Stock Exchange (IDX) during the period of 2024. At the time of the research, the population was recorded at 955 companies. The research period was limited to 2024 due to the limited historical data available for the EAFAC variable, meaning that data collection could only be carried out for that period. This research utilizes the simple random sampling method, chosen to ensure that samples are collected randomly from the entire population, thus increasing the generalizability of the research findings. The sample size in this research was calculated using the Slovin formula with a margin of error of 5% (0,05). The sample size calculation is as follows:

$$n = \frac{N}{(1 + (N \times e^2))}$$

Where:

$n$  = Sample Size

$N$  = Population Size

$e$  = Error Tolerance

$$n = \frac{955}{(1 + (955 \times 0,05^2))} = 282$$

Based on the Slovin's calculation, the minimum sample size required for this research was 282 companies.

## Measurements

### Independent Variable

External Auditor Forensic Accounting Competencies (EAFAC) refers to the expertise possessed by external auditors, specifically the ability of external auditors in preventing, detecting, and investigating fraud through the application of forensic accounting techniques. One of the ways to determine this competencies is through the possession of professional certifications such as CFE (*Certified Fraud Examiners*) or CPFA (*Certified Professional Forensic Accountant*). By obtaining this professional certification, external auditors prove that they have undergone specialized training, assessment, and verification of forensic accounting skills. This research uses the CPI (*Certified Professional Investigator*) certification issued by the Indonesian Institute of Certified Public Accountants (IAPI). This certification was selected based on its relevance and strong recognition in Indonesia. As a certification issued by IAPI, the CPI is more representative for external auditors in Indonesia because it aligns with the context of domestic forensic accounting regulations and practices, making it a more appropriate choice than international certifications such as the CFE or CPFA. It should be noted that this certification has now been officially replaced by the CFI (*Certified Financial Investigator*) designation. However, for consistency, the term CPI will still be used in this research. This variable is measured as a dummy variable, a value of 1 is assigned if the auditor responsible for the financial statements (engagement partner) holds the CPI certification, and a value of 0 if otherwise. The steps for measuring the variable are as follows:

1. Identify the name of the auditor who signed the company's audited financial statements.
2. Verify the auditor's name against the list of CPI certification holders available on the official IAPI website.

### Dependent Variable

Financial performance is defined as a reflection of a company's financial condition during an accounting period, encompassing revenue generation, expenses management, asset utilization, and more. It is used to evaluate a company's success in conducting its operations, whether it is using or obtaining funds (Mazliza & Adiati, 2020; Rufaida, 2024). In this research, financial performance is measured using Return On Asset (ROA). This proxy was chosen because ROA is a well-rounded indicator that reflects a company's ability to generate profits from its total assets, thus representing overall operational efficiency (Dwomor & Mensah, 2024). The selection of ROA was also done based on the desire to maintain consistency and comparability with the previous study by Alkhalaileh et al. (2024).

#### Control and Descriptive Variable

To account for other factors that may influence financial performance, this research also uses of several control variables, such as company size (SIZE), company age (AGE), and leverage (DAR). The selection of these control variables refers to the study by Alkhalaileh et al. (2024). By adopting the same control variables, this research aims to provide a relevant comparison of results between the Jordanian and Indonesian contexts.

In addition, this research also incorporated an extra variable, which is the audit firm reputation (BIG4) for description purposes. This is also a dummy variable,

with a value of 1 if the company is audited by a Big Four public accounting firm, and 0 otherwise. This “descriptive” variable will be use by the researchers to link the findings obtained from the data collection with the result of statistical testing, given that the focus of this study is on external auditor, measurements related to affiliation with the Big Four public accounting firms are considered relevant to provide additional context for interpretation of research findings. A summary of the variable measurements are presented in Table 1.

#### Regression Model

This research uses multiple linear regression analysis to examine the effect of external auditor forensic accounting competencies on financial performance, supported by hypothesis testing including the t-test, F-test, and coefficient of determination ( $R^2$ ). This will be performed using the *Statistical Package for the Social Sciences* (SPSS) version 23 software. Before testing the hypothesis, the data will undergo a series of classical assumption test (normality, autocorrelation, heteroscedasticity, and multicollinearity) (Alamri et al., 2024). The significance level used for inferential testing is 5%. The regression model used in this research is a modified model from (Alkhalaileh et al., 2024) study, which is formulated as follows:

$$ROA = \alpha + \beta_1 EAFAC + \beta_2 SIZE + \beta_3 DAR + \beta_4 AGE + \varepsilon$$

Table 1  
Variables Measurements

		Measurements	Sources
<b>Dependent Variable</b>			
Financial Performance	ROA	Net income divided by total assets (Alkhalaileh et al., 2024)	Financial Report
<b>Independent Variable</b>			
External Auditor Forensic Accounting Competencies	EAFAC	A dummy variable, valued as 1 if the Auditor has a CPI Certificate, and 0 if otherwise	Financial Report & CPI Holder List
<b>Control Variables</b>			
Company Size	SIZE	Natural logarithm of total assets (Alkhalaileh et al., 2024)	Financial Report
Leverage	DAR	Total liability divided by total assets (Alkhalaileh et al., 2024)	
Company Age	AGE	Current year minus the companies listing year (Alkhalaileh et al., 2024)	IDX Website
<b>Descriptive Variable</b>			
Audit Firm Reputation	BIG4	A dummy variable, valued as 1 if the company is audited by a Big Four public accounting firm, and 0 if otherwise (Kutha & Susan, 2021)	Financial Report

Where:

ROA = Return On Asset

EAFAC = External Auditor Forensic  
Accounting Competencies

SIZE = Company Size

DAR = Leverage

AGE = Company Age

$\alpha$  = Constant

$\beta_1, \beta_2$  = Regression Coefficient

$\varepsilon$  = error

## Results and Discussion

### Descriptive Statistics

Table 2  
Descriptive Statistics

Variable	Obs.	Mean	Min	Max	Std. Dev.
ROA	282	0.016	-0.35	0.20	0.063
EAFAC	282	0.184	0	1	0.388
SIZE	282	28.122	21.25	35.43	2.224
DAR	282	0.466	0	2.72	0.372
AGE	282	14.879	1	46	12.147
BIG4	282	0.251	0	1	0.434

Table 2 presents the descriptive statistics of all the variables, which involve a total of 282 companies as samples (Obs). The dependent variable, measured by ROA shows a mean value of 0.016, which indicates that on average, companies in the sample are only able to generate profits of around 1.6% of their total assets. The variable also shows a fairly wide spread in value, with the minimum value reaching -0.35 and the maximum value reaching 0.20. The standard deviation being greater than the mean confirms that the level of financial performance proxied by profitability varies significantly between companies in this sample. The independent variable of External Auditor Forensic Accounting Competencies (EAFAC), which is a dummy variable, shows a mean value of 0.184. This means that 18% of the companies in this sample were audited by an external auditor that has a Certified Professional Investigator (CPI) certification. This figure indicated that the utilization of external auditors with forensic accounting competencies remains limited among the companies in this sample. The control variable of SIZE has a mean value of 28.122,

indicating that the average company in the sample falls within the medium to large size category. The minimum and maximum values also suggest that there is a wide variation in company sizes, ranging from relatively small (21.25) to very large (35.43). The DAR variable exhibits a mean value of 0.466, indicating that, on average, around 46.6% of a company's total assets are financed through debt, reflecting a moderate level of leverage. The variable also displays a wide range of values, ranging from companies with little to no debt (0) to companies with a very high debt ratio (2.72). The AGE variable has a mean value of 14.879, indicating that the average age of companies in the sample is 14 years. The variable also substantial variations, reflected by a relatively high standard deviation of 12.147. Which implies that the sample includes both newly listed to well-established companies. Lastly, the BIG4 variable, which is also a dummy variable, has a mean value of 0.251. This implies that 25% of the companies in the sample utilize the service of a Big four public accounting firm to audit their financial statements.

### Classical Assumption Test

Table 3  
Classical Assumption Test

Variable	Spearman rho's	Multi-collinearity T	VIF	K-S	D-W
EAFAC	.238	.974	1.027	.087	1.933
SIZE	.950	.815	1.228		
DAR	.343	.880	1.137		
AGE	.420	.824	1.213		

Notes: Spearman rho's = sig. (2-tailed), Tole. = Tolerance, K-S = One-Sample Kolmogorov-Smirnov Sig. (2-tailed), D-W = Durbin-Watson

The result of the classical assumption test is presented in Table 3, which serves to ensure that the regression model meets the criteria of a Best Linear Unbiased Estimator (BLUE). Based on the heteroscedasticity test using Spearman's rho, all four independent variables show significance values greater than 0.05, indicating that there are no heteroscedasticity symptoms in the model. The multicollinearity test results show that all independent variables have a Tolerance value above



0.1 and a VIF value below 10. Which suggests that there is no strong linear correlation between the independent variables. The normality test, conducted using the Kolmogorov-Smirnov test, produced a significance value of 0.087, which exceeds the value of 0.05. This indicates the residuals are normally distributed. Finally, the autocorrelation test using the Durbin-Watson method yielded a value of 1.933, which falls between the upper limit of dU and 4-dU ( $1.83309 < 1.933 < 2.16691$ ). Thus, confirming that there is no autocorrelation in the model. Overall, the regression model passed all the classical assumption test and is considered valid and reliable for further analysis

### Multiple Regression Analysis

Table 4  
Multiple Regression Result

Variable	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-0.241	0.047	-5.136	0.000
EAFAC	0.024	0.009	2.653	0.008
SIZE	0.010	0.002	5.954	0.000
DAR	-0.046	0.010	-4.663	0.000
AGE	-0.001	0.000	-2.996	0.003
<b>F</b>	14.496	<b>R-square</b>		0.173
<b>Sig.</b>	0.000	<b>Adjusted R-square</b>		0.161

The result of the multiple regression analysis presented in Table 4 shows that both the independent and control variables have a significant partial effect on the dependent variable, as indicated by the significance values being below the 0.05 value. The EAFAC variable has a positive coefficient value (0.024), suggesting that companies that is audited by external auditor with forensic accounting competencies tend to have higher financial performance. Similarly, the SIZE variable demonstrates a positive effect, implying that larger companies tend to achieve better financial performance. On the contrary, the DAR and AGE variables exhibits a negative effects, indicating that higher debt levels and older company age are associated with lower financial performance. The F-test result, with a significance value of 0.000, confirms that the model as a whole is statistically

significant. Which means that the independent and control variables collectively affect the financial performance. The adjusted R-square value of 0.161 indicates that the model can explain the 16.1% of the variation in financial performance, while the rest is effected by other factors not included in the model. These results are consistent with the findings of Alkhalaileh et al. (2024), who also found that external auditors' forensic accounting competencies and company size have a significant positive effect and leverage has a significant negative effect. However, this research slightly differs in terms of company age, which shows a negative effect, in contrast to the positive effect found in the Alkhalaileh et al. (2024) study.

### External Auditor Forensic Accounting Competencies on Financial Performance

The regression results show that external auditor forensic accounting competencies (EAFAC) have a positive and significant effect on financial performance (ROA) as reflected in its coefficient ( $t = 2.653$ ) and p-value (Sig.= 0,008). Thus, confirming the  $H_1$  hypothesis proposed in this research. This finding indicates that when external auditors possess forensic accounting competencies (proxied by possessions of CPI certifications in this research) that encompasses investigative techniques, critical thinking, financial intellect, and audit expertise, they are more effective in detecting and exposing fraudulent activities, which ultimately improves financial performance.

Furthermore, this finding aligns with the Resource Dependence Theory (RDT) framework, which serves as the theoretical anchor of this research. RDT posits that companies are open systems dependent on external resources (Chiang & Chuang, 2024; Dieleman & Widjaja, 2019). These finding provide empirical evidence that access to fundamental resources, such as capital and funding, is highly dependent on trust built through strong credibility signals. Auditors with forensic competencies serve as providers of crucial intangible resources, namely legitimacy and assurance (Calocha & Herwiyanti, 2020), which serve as the "entry ticket" for companies to access resources controlled by external stakeholders (Calocha & Herwiyanti, 2020; Rafly & Handayani, 2025). In a context where investor confidence is fragile and fraud schemes are increasingly sophisticated; this finding indicates that EAFAC is no longer simply

about improving audit quality but has become a strategic imperative for companies seeking to survive and excel (Fathelbab & Quba, 2025). Upon closer examination, the transmission mechanism from EAFAC to financial performance can be explained through its signaling power (Apristiana & Utomo, 2025). A company's decision to proactively select an auditor with investigative capabilities sends a strong signal to the capital market regarding its commitment to transparency and sound governance (Gurun et al., 2018). This signal effectively reduces information asymmetry between management and investors, which in turn lowers the risk premium demanded by capital providers. This reduction in perceived risk has the potential to directly reduce the company's cost of capital, a tangible financial benefit that allows the company to fund operations and investments more cost-effectively (Alkhalailah et al., 2024). Thus, the positive impact on ROA stems not only from the prevention of financial losses due to fraud but also from the strategic advantage of acquiring resources more cost-efficiently. Moreover, EAFAC's influence likely extends beyond external impacts and creates positive spillover effects on internal governance (Apristiana & Utomo, 2025). The presence of auditors with a high level of professional skepticism and investigative methodology can be a catalyst that encourages management and boards of commissioners to strengthen their own internal control systems, not out of coercion, but as an anticipatory response (Agustina & Rusydi, 2021; Lazuardi & Hendro Lukman, 2019). A more thorough audit process forces companies to be more disciplined in recording, reporting, and monitoring, ultimately instilling a systemic anti-fraud culture from within (Situmorang, 2022).

However, despite the positive impact of forensic accounting competencies have on financial performance, this research uncovered a concerning finding: none of the external auditors from the Big Four public accounting firms held the Certified Professional Investigator (CPI) certification during the observation period. This is particularly noteworthy given the crucial role forensic accounting competencies play not only in enhancing transparency and mitigating fraud risk, but also in improving overall company's performance. Showing that certified forensic accountant in Indonesia remains limited, the profession is still underdeveloped compared to other specializations (Arianto, 2021). The gap between theoretical acknowledgement and practical implementation

suggests that the integration of forensic accounting competencies within the Big Four public accounting firms remains insufficient. This discrepancy poses a very serious concern, especially considering that large companies, those who most vulnerable to complex transactions and fraud risks, typically rely on the Big Four public accounting firms for external audits (Ani et al., 2024), as reflected in the descriptive statistics, which show that 25% of the companies in the sample were audited by a Big Four public accounting firm. Consequently, the lack of forensic accounting expertise in the very segment where it is most critical depicts a structural vulnerability. Because large companies operate on a bigger scale, they tend to face greater exposure to fraudulent schemes, and failure in a large company, unlike in small or medium enterprises, often produces systemic impacts that affect not just the company itself but also investors, markets, and the broader economy (Zengin, 2019). As such, the lack of forensic accounting expertise within the Big Four public accounting firms underscores the urgent need for integration of forensic accounting competencies into the standard audit practices for external auditors. Strengthening forensic competencies should no longer be viewed as an optional specialization, but rather as a fundamental component of audit quality, particularly in high-risk, high-impact environments (Achmad et al., 2024).

Lastly, it is worth clarifying that the researchers do not intend to discredit the integrity or the competence of the Big Four public accounting firms. Instead, this observation is presented as an evidence-based finding that may help inform ongoing discussions about enhancing audit quality through the inclusion of forensic accounting competencies.

## Conclusion

Based on the research done on 282 public Indonesian companies, it is shown that External Auditor Forensic Accounting Competencies have a positive and significant effect on Financial Performance. This indicates that the presence of forensic accounting competencies can lead to a more effective audit in not only verifying the company financial statements, but also, detecting and preventing fraudulent practices that could potentially harm the company. Thus, leading to an improvement of financial performance. This research also finds that related control variables like company size, leverage, and company age also

significantly affect financial performance. With company size having a positive influence, which means in this sample larger companies will have higher financial performance. Meanwhile, leverage and company age have a negative influence on financial performance, which shows in this sample higher amount of debt and the older a company age will lead to lower financial performance. Simultaneously, it is also known that the four variables have a significant effect on financial performance, confirming the model validity.

The findings of this research offer both practical and theoretical implications. From a practical perspective, the results highlight the importance of strengthening forensic accounting competencies among external auditors in Indonesia. Such competencies can enhance the quality of audit practices and contribute to improved financial performance. Therefore, relevant stakeholders such as public companies, Public Accounting Firms (KAP), professional institutions such as the Indonesian Institute of Accountants (IAI) and the Indonesian Institute of Public Accountants (IAPI), as well as regulatory authorities, are encouraged to actively foster the integration of forensic accounting skills into professional training and auditing standards. To investors and creditors, these findings also serve as an important signal for assessing audit quality and the reliability of reported financial information. Thus, providing an additional criteria when evaluating investment risk.

From a theoretical perspective, this research provides the underlying mechanism that justifies these practical recommendations. This research reinforces the Resource Dependence Theory (RDT) by conceptualizing auditor's forensic accounting competencies as strategic intangible resources that help reduce uncertainty and dependence on the external environments, which in turn lead to stronger financial performance. Furthermore, this research contributes to the growing forensic accounting literature by extending the focus beyond fraud detection and exploring empirically the quantitative link between auditor's competencies and companies' financial performance. Finally, this research addresses the lack of empirical evidence from the Indonesian capital market and contributes to the broader financial accounting literature in the context of emerging Southeast Asian markets.

Lastly, the researchers acknowledge several limitations of this research. First, the research period is limited to only 2024, due to the unavailability of

historical data for the EAFAC variable prior to that year, making the findings specific to this single period rather than reflective of long-term trends. Second, the sample solely consists of publicly listed companies on the Indonesia Stock Exchange (IDX), which restrict the generalizability to non-public companies or other markets. Third, the variables examined in this research are limited to four variables directly associated to financial performance, without incorporating additional factors such as corporate governance, industry characteristics, or macroeconomic conditions that may also influence financial performance. Finally, the research relies exclusively on secondary data from financial reports and the CPI certification holder list, which limits the ability to capture qualitative aspects such as the specific strategies, techniques, or professional judgment applied by external auditors in implementing forensic accounting competencies.

Given these limitations, the researchers suggest that future studies extend the research period to cover multiple years for a more comprehensive analysis. The sample could also be widened, either by including more companies or by incorporating companies from other countries to enable more robust comparisons. Adding additional variables that may influence financial performance would also enrich the analysis. Furthermore, incorporating primary data through interviews and surveys could provide more deeper insights into how forensic accounting competencies are applied in practice and their direct impact on audit quality and corporate outcomes.

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