Abstract

Financial statement fraud has reached the epidemic proportion globally. Recently, financial statement fraud has dominated the corporate news causing debacle at number of companies worldwide. In the wake of failure of many organisations, there is a dire need of prevention and detection of financial statement fraud. Prevention of financial statement fraud is a measure to stop its occurrence initially whereas detection means the identification of such fraud as soon as possible. Fraud detection is required only if prevention has failed. Therefore, a continuous fraud detection mechanism should be in place because management may be unaware about the failure of prevention mechanism. In this paper we propose a data mining framework for prevention and detection of financial statement fraud.

References

- Atkins Matt, Accounting Fraud in US listed Chinese companies (September 2011). Available at: http://www.financierworldwide.com
- Floyd Advisory LLC, Summary of Accounting and auditing enforcement releases for
three months ended March 31, 2012.
A Data Mining Framework for Prevention and Detection of Financial Statement Fraud

- &quot;Fraud, Waste, and Abuse – Prevention, Detection and Reporting for Federal, State, Local, and Tribal Administrators&quot; United States Environmental Protection Agency (Office of Inspector General), www. epa. gov/oig
- ACFE, Tone at the top: How Management can prevent fraud in workplace, Available at: http://www. acfe.com/uploadedFiles/ACFE_Website/Content/documents/tone-at-the-top-research. pdf
- Han Jiawei & Kamber Micheline, Data Mining: Concepts and Techniques, Morgan Koufmann Publishers
A Data Mining Framework for Prevention and Detection of Financial Statement Fraud


Index Terms

Computer Science

Information Sciences

Keywords

Data mining  predictive data mining  descriptive data mining  fraud risk reduction