

## **Examine the External Auditors' Fraud Tendency Perception in Sri Lanka**

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### **Abstract**

This study considers external auditors' fraud tendency perception as the dependent variable, Pressure (PRE), Opportunity (OPP), Rationalization (RAT), Competence (COM), Arrogance (ARR), and Collusion (COL as the dependent variable. This aim is to measure the level of external auditors' fraud perception, the association between components of fraud hexagon to fraud perception. The population is people who are participating in public practice including senior auditors, supervisors, managers, and partners who engage in external audit functions in Big four and non-Big four audit firms in Sri Lanka. An online survey was used to collect the data, which was then examined using the IBM Statistical Package for Social Sciences (SPSS 23). The data were mostly described using descriptive and inferential statistics. The results indicate that external auditors' perception of fraud triggers does not fully support all six components of the fraud hexagon theory. Among the six components, Opportunity, rationalization, and competence are found to have a significant influence on the perception of fraud tendency. However, other three components do not have a significant impact. The Hexagon idea has received less academic attention because it is a more recent theory. Studies on auditors' perceptions of fraud have been few despite the fact that many new fraud hypotheses have been studied, the majority of which concern industries like manufacturing and banking. While most studies have focused on examining the components of fraud, fewer studies have studied the tendency for fraud to occur. Numerous studies on this battle from various perspectives have been undertaken by various nations. There are, however, not many studies on this topic that apply to Sri Lanka. Due of this, it is necessary to look at the Sri Lankan background. The variables influencing the external auditor's judgment of fraud tendencies on the link between parameters connected to fraud and perceptions of fraud have also been the subject of conflicting findings in some international studies. The primary aim of the study is to determine the impact of the elements of the fraud hexagon theory on the fraud perception of Sri Lankan external auditors. According to that, the researcher has investigated the most important factors affecting external auditors' fraud tendency perception. Hence, this chapter consists of the background of the study, problem statement, research questions, and objectives. Subsequently, this chapter highlights the importance of the study and provides a brief overview of the research methodology and the extent of the study.

**Keywords:** Auditors' Perception, Fraud Hexagon Theory, Fraud Tendency