

## ***ABSTRACT***

*This study aims to observe the perception of external auditor that red flags as an effective tool for detecting assets misappropriation. The study also resulted the red flags rank that are believed to be important in the detection of assets misappropriation by the external auditors. Red flags used in this study were divided based on the assets misappropriation scheme, namely skimming scheme, cash larceny, billing scheme, cheque tampering, payroll scheme, expense reimbursement scheme and register disbursement scheme.*

*This study uses primary data obtained by distributing questionnaires research to the external auditors. The external auditors of government, namely Badan Pemeriksa Keuangan Republik Indonesia auditors, are the sample in this study. Selection of the samples in this study using purposive sampling method. Data analysis techniques used in this study using descriptive statistics and test data quality.*

*The results showed that the external auditors have the same perception that the red flags can be used as an effective indicator to detect assets misappropriation. In each assets misappropriation scheme, auditors have the same perception This research also resulted the most important red flag on each asset misappropriation scheme. These results indicate that the external auditor did not perceive red flag of asset misappropriation equally important.*

*Keywords: fraud, red flag, asset misappropriation, external auditor.*