

ABSTRACT

The purpose of this study is to examine how differences in the perception of the external and internal auditors in Jakarta and its surrounding areas on the effectiveness of red flags method to detect fraud within the company. Respondents in this study are the auditors who work in public accounting firm, state-owned enterprises, state institutions, and several private companies. Number of auditors sampled in this study were 94 auditors. The sampling method for this study is purposive sampling, and the research method used for this study is independent sample T-test.

The results of this study showed that there are differences in the perception of red flags in some indicators which divided into four dimensions of red flags, using diamond fraud theory. The four dimensions consist of opportunity, pressure, ratio and capability. This study also find that overall external auditors assessed the red flags more effectively to detect fraud within the company.

Keywords: red flags, fraud diamond, external auditor, internal auditor