



# Integrating Artificial Intelligence into Forensic Accounting: Opportunities, Limitations, and Implications for Financial Fraud Detection

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## Abstract

The high pace of digitalization of financial reporting and the growing complexity of corporate transactions have made it even harder to detect financial fraud. Simultaneously, artificial intelligence (AI) has become a paradigm of analytical transformation in the accounting and auditing research. This paper is a literature review of the application of AI to forensic accounting, especially in the detection of financial fraud. It combines the evidence of machine learning, deep learning, graph-based analytics, natural language processing, and process mining applications, and points out their roles in predictive accuracy, early warning systems, and continuous observation. The review also considers methodological, organizational, ethical, and regulatory limitations such as data constraints, model opaque, accountability issues and governance issues. Although AI can be much deeper in analytical richness and detection power, the results point to the fact that it is more of a complement to professional judgment and forensic expertise, than a substitute. The article determines the key gaps in interpretability, contextual generalizability, legal admissibility, and interdisciplinary integration and suggests the future research directions that will help to build balanced hybrid frameworks. This review contributes to the systematic comprehension of AI-based forensic accounting and its relevance to enhancing financial integrity and company responsibility.

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## I. Introduction

Financial fraud has become a complex and technology-enhanced phenomenon that has complicated the conventional monitoring and assurance systems. Digitization of financial reporting, the spread of sophisticated transactions and the growth of interdependent corporate networks have all contributed to the growth in size and complexity of fraudulent activities. The modern fraudulent schemes are increasingly based on informational asymmetries, which are inherent in financial statements and relational business structures, and thus require more sophisticated analytical methods to be detected (Aftabi et al., 2023; Li et al., 2023; Wang et al., 2023). Recent studies show that the fraud patterns have ceased to be limited to the isolated accounting manipulation but have instead become multi-layered financial relationships, textual disclosures and dynamic streams of transactions (Shi and Zhao, 2023; Zhou et al., 2024; Yi et al., 2023). Consequently, the traditional rule-based auditing processes are becoming less and less adequate in the context of large amounts of data, high speed, and complexity of structure.

To cope with these changes, forensic accounting has increasingly become more analytically based and technologically knowledgeable than its more investigative orientation in the past. Forensic accounting has traditionally been focused on litigation support and backward-looking analysis, but now it is used at the intersection of governance, risk analysis, and fraud analytics (Alshurafat, 2022; Alshurafat, 2024; Guellim et al., 2024). The changing mandate of the profession is an indication of an increasing expectation that the forensic specialists should not only participate in the investigation of post-fraud but also proactive detection and prevention. Empirical data also indicate that companies are starting to appreciate forensic skills in improving the quality of audit and corporate performance (Alkhalailah et al., 2024; Almashaqbeh et al., 2023; Alshurafat et al., 2025). However, the shift of forensic accounting into a data-driven role is not evenly distributed, and it is usually limited by methodological, organizational, and technological limitations.

Along with these trends, the artificial intelligence (AI) has become an influential field of research in accounting and auditing studies as a new analytical paradigm. Machine learning and deep learning models have also proven to be very predictive when it comes to detecting anomalous financial trends and fraudulent reporting (Aftabi et al., 2023; Hilal et al., 2022; Motie and Raahemi, 2024).

Network analytics and graph-based methods have also improved the process of detecting fraud, as they are able to capture relational datapoints that are not considered in traditional statistical models (Cai and Xie, 2024; Li et al., 2023; Shi and Zhao, 2023). Moreover, natural language processing and contextual language learning have increased the possibilities of detection to narrative disclose and unstructured accounting data (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Lee et al., 2022). The same applies to process mining and AI-powered audit automation systems, which demonstrate how intelligent systems may be used to facilitate ongoing assurance and risk detection in real time (Eulerich et al., 2025; Foehr et al., 2025; Werner et al., 2021).

Although this body of research is increasing, the conceptualization of the application of sophisticated AI methods in the practice of forensic accounting is still disjointed. The literature also focuses on AI-based fraud detection in a technical perspective without integrating it into the overall framework of forensic accounting (Hilal et al., 2022; Wang et al., 2023; Zhou et al., 2024). On the other hand, recent research on the topic of forensic accounting tends to focus on professional growth, governance, or educational aspects without providing much interaction with the latest AI practices (Alshurafat, 2022; Alkhalailah et al., 2024; Guellim et al., 2024). Such partitioning introduces an analytic divide between technological innovation and forensic use which constrains our knowledge of how AI can be systematically integrated into the fraud investigation and prevention activity.

In this regard, this literature review intends to synthesize the available literature on the point of intersection of artificial intelligence and forensic accounting. It discusses the use of AI techniques in financial fraud detection, the key opportunities related to their implementation, methodological and organizational constraints, and the general implications of their application to auditors, forensic practitioners, and governance frameworks (Fedyk et al., 2022; Sewpersadh, 2025; Garg et al., 2025). The paper aims to combine the technical, professional, and regulatory approaches to establish an analytical ground on the understanding of AI-enabled forensic accounting. The rest of the research is conducted by examining theoretical backgrounds, the application of AI in fraud detection, integration issues, and providing research directions in the future based on the gaps identified.

## 2. Theoretical Foundations

### 2.1 Forensic Accounting: Idea and History

Forensic accounting has increasingly become a multidimensional discipline that is at the intersection of governance, risk management and fraud analytics. In modern research, forensic accounting is not only described as a reactive investigation but an interdisciplinary field of professional knowledge that integrates accounting skills, legal knowledge, and analytical skills (Alshurafat, 2022; Guellim et al., 2024; Almashaqbeh et al., 2023). It has since expanded to include fraud risk assessment, expert testimony, dispute resolution, and proactive fraud prevention, which is an indication of an increasing institutional expectation that forensic specialists should play a role in corporate integrity systems. Empirical studies also show that the existence of forensic competencies in audit engagements is linked to a better organizational control and performance outcome (Alkhalailah et al., 2024; Alshurafat et al., 2025; Almashaqbeh et al., 2023).

Professional development is also characterized by the gradual shift of the mostly manual and experience-oriented processes to the data-driven and technology-enhanced ones. The previous practices were based on documentary analysis and testimonial reconstruction, but the recent contributions focus on quantifiable constructs, organized analytical variables, and a combination of digital tools into the forensic process (Alshurafat, 2024; Alshurafat, 2022; Guellim et al., 2024). This change is indicative of wider changes in financial reporting settings, where huge volumes of data and automated systems require analytical skill that cannot be easily found in conventional investigative intuition.

### 2.2 Financial Fraud Typologies

Fraud typologies serve as the conceptual basis of the AI-enabled fraud detection systems. The issue of financial statement fraud is also a priority, which is usually marked by the intentional distortion of the earnings, assets, or liabilities to affect the perceptions of the stakeholders (Aftabi et al., 2023; Zhou et al., 2024; Wang et al., 2023). Research that uses sophisticated detection models has shown that fraudulent actions are often committed through minor numerical deviations and relationship anomalies and not overt accounting anomalies (Shi and Zhao, 2023; Li et al., 2023; Yi et al., 2023).

Outside organized financial frauds, fraud is becoming more active in the digital ecosystems, which leads to cyber-

financial crime and technology-based manipulation. The reviews of anomaly detection indicate the difficulty of detecting these patterns in high-dimensional financial data (Hilal et al., 2022; Motie and Raahemi, 2024; Cai and Xie, 2024). These changes imply that the conventional explanatory models, including incentive-based fraud models, should be supplemented by data-based analytical views that will be able to address relational and behavioral anomalies inherent in digital transactions.

### 2.3 Artificial Intelligence Accounting and Auditing

Artificial intelligence has become a paradigm of analysis in the field of accounting and auditing studies. Classification and ensemble methods of machine learning have been shown to have improved predictive capabilities in the detection of financial anomalies (Aftabi et al., 2023; Hilal et al., 2022; Wang et al., 2023). Deep learning models also extend such features to high-dimensional and sequential data structures that traditional statistical models are unable to model (Motie & Raahemi, 2024; Yi et al., 2023; Shi and Zhao, 2023).

Analytical attention to unstructured disclosures and narrative reporting has been enlarged by natural language processing and contextual language models and provides information on linguistic indicators related to fraud risk (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Lee et al., 2022). In the meantime, graph neural networks and knowledge graph systems allow identifying patterns of relational fraud that are hidden in the networks between suppliers and customers and in interconnected financial systems (Cai and Xie, 2024; Li et al., 2023; Shi and Zhao, 2023). Examples include process mining and AI-assisted audit automation which demonstrates how the intelligent system can be operationalized in the continuous monitoring within the governance structures, in the three-lines model (Eulerich et al., 2025; Foehr et al., 2025; Werner et al., 2021). Taken together, these strands define the theoretical basis of the introduction of AI as an element of forensic accounting as a methodical, but not a support component of the detection of fraud.

## 3. AI Applications in Financial Fraud Detection

### 3.1 Detection Models based on machine learning

Machine learning has emerged as a key methodological foundation of the study of fraud detection, especially

supervised classification and ensemble. The variants of logistic regression, decision trees, support vector machines, and boosting algorithms are always used in empirical studies to identify the patterns of fraud and non-fraudulent reporting (Hilal et al., 2022; Wang et al., 2023; Zhou et al., 2024). Comparative analyses have shown that ensemble methods are generally superior to single classifiers on the robustness and variance level aspects especially in unbalanced financial datasets (Hilal et al., 2022; Wang et al., 2023; Yi et al., 2023). In addition to the classical classifiers, generative adversarial networks (GANs) have been proposed to solve class imbalance and synthetic data generation to improve the sensitivity of detection in complicated financial statement settings (Aftabi et al., 2023; Motie and Raahemi, 2024; Yi et al., 2023). Although these models have been shown to be more accurate in prediction, they rely on the quality of data and feature engineering, which is a structural weakness especially in the real-world forensic environment (Hilal et al., 2022; Zhou et al., 2024; Wang et al., 2023).

### 3.2 Deep Learning and Neural Networks

Deep learning models can be used to extend machine learning to be able to model nonlinear and high-dimensional relationships that exist in financial data. Sequential dependencies and subtle reporting anomalies have been demonstrated to be captured with the help of convolutional and recurrent neural networks, as well as the attention-based mechanisms (Motie and Raahemi, 2024; Shi and Zhao, 2023; Yi et al., 2023). Multimodal models also combine numerical, textual, and relational characteristics and can represent frauds richer than the single-source models (Wang et al., 2023; Zhou et al., 2024; Aftabi et al., 2023). Deep architecture has been found to be more effective in detecting market manipulation and earnings misstatements than conventional models, in the context of capital markets (Yi et al., 2023; Shi and Zhao, 2023; Wang et al., 2023). However, deep models are black box systems, which makes them more difficult to accept in forensic and legal contexts because of interpretability issues (Motie and Raahemi, 2024; Hilal et al., 2022; Zhou et al., 2024).

### 3.3 Graph and Network Techniques

Recent research highlights the interpersonal character of fraud, which promotes network-based detection models. The analysis of supplier-customer relationships has shown that fraudulent companies are often structurally distinct and can be identified with the help of graph analytics (Li et al.,

2023; Shi and Zhao, 2023; Yi et al., 2023). Knowledge graph models also make the data of financial statements easier to interpret by organizing it into strata of relational representations, which can be explained to detect fraud (Cai and Xie, 2024; Li et al., 2023; Motie and Raahemi, 2024). Graph neural networks (GNNs) are a way of operating on these kinds of structures where they learn not from single isolated things but from the interconnectedness, and this makes their performance better in the detection of complex collusive schemes (Shi & Zhao, 2023; Cai & Xie, 2024; Li et al., 2023). Graph-based models can be used to effectively capture relational fraud patterns, but they need extensive transactional data and computational resources that are not always equally available within an organization (Cai and Xie, 2024; Motie and Raahemi, 2024; Yi et al., 2023).

### 3.4 Fraud Detection with Text Mining, NLP, and LLMs

The unstructured disclosures are another important area of fraud analytics. The contextual language learning models and text mining identify language clues existing in financial reports, management conversations, and journal entries (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Lee et al., 2022). The empirical evidence indicates that NLP-based models can be used to improve the predictive capabilities of structured financial predictors (Bhattacharya and Mickovic, 2024; Wang et al., 2023; Zhou et al., 2024). With the development of large language models (LLMs), the field of auditing has continued to increase its applications by providing superior semantic interpretation and anomaly detection functions (Fotoh & Mugwira, 2025; Fedyk et al., 2022; Senave et al., 2023). Nevertheless, the issues associated with model bias, transparency, and evidentiary reliability restrict the use of AI in the near future (Fotoh and Mugwira, 2025; Fedyk et al., 2022; Lee et al., 2022).

### 3.5 Process Mining and Continuous Auditing

The example of process mining and AI-based audit automation systems depict how fraud analytics can be integrated into the work of the governance system. Process mining assists in the detection of anomalies in accordance with the three lines model of assurance by reconstructing transactional flows (Eulerich et al., 2025; Werner et al., 2021; Foehr et al., 2025). Formal journal entries testing and ongoing monitoring systems improve real-time risk detection, as opposed to regular audit cycles (Lee et al., 2022; Eulerich et al., 2025; Sewpersadh, 2025). All these

methods enhance control environments and contribute to proactive mitigation of fraud, but they need organizational preparedness, the maturity of data infrastructure, and well-defined accountability frameworks (Foehr et al., 2025; Sewpersadh, 2025; Eulerich et al., 2025).

#### 4. Integrating AI into Forensic Accounting Practice

##### 4.1 Traditional Forensic Methods to AI-Based Models

The fact that artificial intelligence is being integrated into forensic accounting is a substantive change in the methodology of investigating cases by experience to structured and data-driven detection. The conventional methods of forensics were mostly retrospective and were based on documentary analysis, interviews, and hand reconstruction of financial activities. Modern studies, though, emphasize the increasing use of analytical models that are able to handle large volumes of financial and transactional data in real time (Hilal et al., 2022; Zhou et al., 2024; Aftabi et al., 2023). This has moved forensic accounting to a proactive risk-monitoring service and not a purely reactive investigation service, machine learning and deep learning systems can now detect irregular patterns that would otherwise be undiscoverable under traditional sampling methods (Motie and Raahemi, 2024; Wang et al., 2023; Yi et al., 2023).

The move is also supported by the integration of relational and process-based analytics into audit settings. Graph-based models are applications that help to view inter-firm relationships and latent relationships between transactions and thus expand the scope of forensic analysis beyond individual financial ratios (Cai and Xie, 2024; Li et al., 2023; Shi and Zhao, 2023). Equally, process mining systems re-create operational processes to detect abnormalities in the expected control patterns, which enhances the evidentiary foundation of fraud detection (Eulerich et al., 2025; Werner et al., 2021; Foehr et al., 2025). Although such advancements make the analytical process more profound and efficient in detecting, they also bring about interpretability and implementation issues that need to be carefully aligned with professional judgments and legal regulations (Fedyk et al., 2022; Motie and Raahemi, 2024; Sewpersadh, 2025).

#### 4.2 Organization and Governance Factors

The implementation of AI-based forensic tools in an organization will depend on organizational preparedness and governance frameworks. Studies indicate that technological innovation in auditing and assurance is not necessarily related to effective practice, but rather, it is a factor of strategic alignment, leadership orientation, and institutional support (Krieger et al., 2021; Sewpersadh, 2025; Eulerich et al., 2025). Companies that run on a framework of assurance models, especially the three-lines model, seem to be in a better position to incorporate AI in risk management (Eulerich et al., 2025; Foehr et al., 2025; Werner et al., 2021).

The managerial features and the dynamics of governance also impact the choice to embrace forensic and AI-enhanced audit competencies. There is empirical evidence that the executive attributes and oversight by boards influence utilization of advanced audit capabilities (Alshurafat et al., 2025; Alkhalailah et al., 2024; Almashaqbeh et al., 2023). Moreover, corporate disclosure about artificial intelligence has been also linked to financial performance and signaling effects, which implies that AI implementation has reputational and strategic consequences on top of technical efficiency (Shiyyab et al., 2023; Garg et al., 2025; Fedyk et al., 2022). These results highlight the fact that the adoption of AI is not only an issue of technology but also governance and accountability.

#### 4.3 Forensic Competencies Enabled by AI

The integration of AI in the practice of forensic accounting requires restructuring professional skills. The focus on analytical literacy, technological proficiency, and interdisciplinary integration as the essential qualities of a contemporary forensic professional gains more and more popularity in the literature (Alshurafat, 2022; Guellim et al., 2024; Alshurafat, 2024). Since AI systems do not produce deterministic conclusions but probabilistic ones, practitioners should be able to critically interpret algorithmic results and place them into a regulatory and evidentiary context (Fedyk et al., 2022; Motie and Raahemi, 2024; Fotoh and Mugwira, 2025).

Empirical evidence has been found to support the idea that the availability of forensic expertise in audit engagements is positively associated with better organizational performance and quality oversight (Alkhalailah et al., 2024; Almashaqbeh et al., 2023; Alshurafat et al., 2025). Together with the AI-

based analytical tools, these competencies can reinforce the external audit processes and increase the fraud detection capabilities (Lee et al., 2022; Senave et al., 2023; Bhattacharya and Mickovic, 2024). Nevertheless, to be integrated, it is necessary to engage in professional development and institutional dedication to technological capability building to make sure that AI is an augmentative tool and not a replacement of forensic judgment.

## 5. Opportunities of AI in Forensic Accounting

### 5.1 Improved Detection Accuracy

The ability to increase the detection accuracy is one of the most interesting opportunities that artificial intelligence presents to forensic accounting. It has always been shown that machine learning and deep learning models are more effective than traditional statistical methods to detect fraudulent financial reporting (Aftabi et al., 2023; Hilal et al., 2022; Wang et al., 2023). The use of ensemble classifiers and attention-based architectures have demonstrated better ability to detect small anomalies that exist in the high-dimensional financial data (Shi and Zhou, 2023; Yi et al., 2023; Zhou et al., 2024). Combining systematic financial ratios and relationship and text-based characteristics, AI systems create multidimensional risk measurements, which diminish both false positives and negatives compared to rule-based auditing solutions (Motie and Raahemi, 2024; Bhattacharya and Mickovic, 2024; Cai and Xie, 2024). To forensic practitioners, such an enhancement in predictive accuracy makes the evidence base stronger and makes the investigative inferences more defensible.

### 5.2 Early Fraud Warning Systems

In addition to retrospective detection, AI allows building early warning fraud systems that can detect the beginning of risk indicators before material misstatements occur. Predictive modeling systems that are trained on historical fraud data are able to identify precursor events that are likely to represent financial manipulation (Aftabi et al., 2023; Zhou et al., 2024; Yi et al., 2023). Graph-based methods also can help identify structural anomalies in supplier-customer networks, which can be an indication of organized malpractice at an early phase (Li et al., 2023; Shi and Zhao, 2023; Cai and Xie, 2024). These predictive tools placed in the governance and assurance systems transform forensic accounting into a reactive investigation to a proactive risk avoidance (Eulerich et al., 2025; Sewpersadh, 2025; Werner et al., 2021). These futuristic abilities strengthen the resilience of the organization as they enable the management

and auditors to take action before the organization suffers significant financial or reputational losses.

### 5.3 Real-Time Monitoring

Real-time financial transaction monitoring and reporting are also done through AI-driven analytics. Constant auditing systems enabled by process mining and automated anomaly detection can enable organizations to evaluate the integrity of their transactions in a dynamic manner other than a periodic manner (Eulerich et al., 2025; Foehr et al., 2025; Lee et al., 2022). Internal control environments can be equipped with machine learning models that indicate a deviation when it happens, which greatly minimizes the detection latency (Hilal et al., 2022; Wang et al., 2023; Sewpersadh, 2025). This live feature is especially useful in the digitalized financial ecosystem where the volume and pace of transactions are too high to be handled manually. The integration of AI in assurance architectures makes forensic accounting a continuous monitoring process instead of a specific investigative type reaction.

### 5.4 Automation and Cost Reduction

The potential of AI to be automated has real operational advantages to the practice of forensic accounting. The automated journal entry testing, anomaly scoring, and classification of risks minimize the use of manual intensive operations (Lee et al., 2022; Senave et al., 2023; Eulerich et al., 2025). There is empirical evidence that AI-assisted audit practice positively affects efficiency, but does not decrease the analytical rigor of audit procedures, especially in large-volume data (Fedyk et al., 2022; Foehr et al., 2025; Sewpersadh, 2025). Organizations can maximize the utilization of resources and improve the depth of investigations by redistributing professional effort on the routine screening to a more sophisticated interpretative analysis. In the long term, these efficiencies can be converted to lower compliance expenses and better scalability of the forensic operations.

### 5.5 Pattern Discovery of Complex Data

The most revolutionary opportunity is perhaps the possibility of AI to extract concealed patterns in complicated and interconnected financial data. Graph-based models and deep neural networks can simultaneously find and learn nonlinear relationships and relational dependencies that will not be obvious within the standard tools of analytical modeling (Motie and Raahemi, 2024; Cai and Xie, 2024; Li et al., 2023). Similar results are found in

text mining and contextual language models: they demonstrate linguistic cues in disclosures that are related to fraud risk (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Wang et al., 2025). These features broaden the analytical scope of forensic accounting, allowing the practitioners to go beyond superficial indicators of fraud to data-based and integrated fraud profiling. This way, AI does not only enhance the speed of the already existing processes; it transforms the epistemological principles of fraud detection by allowing the generation of insights out of complexity itself.

## 6. Limitations and Challenges

### 6.1 Data-Related Challenges

Although AI-based fraud detection has an analytical potential, the data-related limitations continue to pose a constant challenge. Class imbalance is one of the most commonly recorded problems because the fraud cases usually constitute a small proportion of the financial observations at their disposal. Such imbalance may skew the training of models and overstate the performance unless it is managed (Aftabi et al., 2023; Hilal et al., 2022; Motie and Raahemi, 2024). Despite the fact that such methods as synthetic data generation and resampling can partially address this issue, they can also introduce artificial patterns that are not fully representative of the dynamics of fraud in the real world (Aftabi et al., 2023; Yi et al., 2023; Zhou et al., 2024).

Another weakness is data quality. The unreliability of the models can be undermined by unstructured disclosures, intermittent accounting, noise in the reporting process, and so forth (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Wang et al., 2023). Moreover, solutions that are based on graphs rely on detailed relational information, which might not be easily sourced in the across-jurisdictions or industries (Li et al., 2023; Cai and Xie, 2024; Shi and Zhao, 2023). Confidentiality and proprietary system access controls also limit the scalability of AI applications in forensic settings, which restricts the cross-organizational comparability and generalizability (Eulerich et al., 2025; Sewpersadh, 2025; Werner et al., 2021).

### 6.2 Model-Related Challenges

In addition to the limitations of data, the issues associated with the models make the incorporation of AI into the practice of forensic accounting more difficult. The issue of overfitting is a methodological problem, especially when

complicated models are trained on small or extremely narrow datasets (Hilal et al., 2022; Motie and Raahemi, 2024; Yi et al., 2023). Although deep learning models can be used to model complex nonlinear relationships, it can become unsustainable when used in new settings with different regulatory or reporting settings (Zhou et al., 2024; Wang et al., 2023; Aftabi et al., 2023).

Advanced algorithms are also made opaque which makes their application in forensics even more difficult. Deep neural networks, attention-based, and some ensemble models are frequently black-box models, which do not have any clear explanatory routes (Shi and Zhao, 2023; Motie and Raahemi, 2024; Wang et al., 2023). Although more interpretable, even knowledge graph and explainable AI systems demand technical expertise that might be beyond the skill of conventional forensic professionals (Cai and Xie, 2024; Fedyk et al., 2022; Fotoh and Mugwira, 2025). The explainability of the algorithmic output in legal and investigative contexts, where the presence of evidentiary justification is critical, tends to compromise the quality of credibility and admissibility of the algorithmic output.

### 6.3 Regulatory and Ethical issues

There are also ethical and regulatory issues that make AI use in forensic accounting even more complicated. The bias in algorithms can be biased training data or internal structural inequalities, which could result in the disproportionate examination of particular parties or industries (Hilal et al., 2022; Bhattacharya and Mickovic, 2024; Fotoh and Mugwira, 2025). This favoritism begs the question of fairness, accountability and adherence to governance expectations.

Accountability structures are also very important. With AI systems becoming a source of audit judgment and fraud detection, the question of accountability of the mistaken or misleading results is emerging (Fedyk et al., 2022; Sewpersadh, 2025; Garg et al., 2025). The question on whether the liability lies with the developers of software, auditors, or the leadership of organizations is a complicated governance matter. Besides, AI-generated evidence is not universally admissible in court, especially where the algorithms used to derive it do not comply with transparency (Motie and Raahemi, 2024; Fotoh and Mugwira, 2025; Fedyk et al., 2022). Such regulatory vaguenesses require careful and well-written implementation plans.

## 6.4 Organizational Barriers

The viability of AI integration is also determined by organizational dynamics. The unwillingness to change is often caused by the new analytical systems that disorient the usual professional practice or disturb the traditional practices based on judgment (Krieger et al., 2021; Sewpersadh, 2025; Eulerich et al., 2025). The cultural stagnation in audit and forensic departments can delay the introduction of high-level analytics, especially in areas where the trust in algorithmic systems is low.

Implementation is further limited by a chronic skills shortage. The competence to effectively utilize AI tools involves interdisciplinary skills, which is the ability to integrate accounting knowledge with data science skills (Alshurafat, 2022; Guellim et al., 2024; Alshurafat, 2024). In the absence of a specific professional development, organizations can easily fail to use complex systems properly or misinterpret the results of the analysis. Lastly, smaller entities can be discouraged to invest in AI-enhanced forensic capabilities due to cost factors, such as technological infrastructure, staff training, and so on (Foehr et al., 2025; Eulerich et al., 2025; Sewpersadh, 2025). Taken together, these organizational obstacles point to the fact that the adoption of AI in forensic accounting is not a technical problem per se but a more holistic change that needs to be strategically aligned, governed, and institutionally committed.

## 7. Implications for Financial Fraud Detection

### 7.1 Implications for Auditors

The introduction of artificial intelligence into fraud detection essentially changes the role of the auditor and the focus of the work is no longer on periodic verification but on the risk-oriented and continuous assurance. The use of AI-based analytics can help an auditor to go beyond sampling methods and analyze whole populations, improving the level of fraud evaluation (Eulerich et al., 2025; Foehr et al., 2025; Lee et al., 2022). Experimental evidence indicates that AI-assisted audit procedures have the potential to enhance the ability to identify anomalies and decrease the time to detect them, especially in a setting with a high number of transactions (Hilal et al., 2022; Wang et al., 2023; Zhou et al., 2024).

Nevertheless, such change demands the auditors to redefine their professional judgment based on the outputs of algorithms. Instead of substituting human expertise, AI systems are used as decision-support systems that need critical assessment and situational interpretation (Fedyk et al., 2022; Motie and Raahemi, 2024; Fotoh and Mugwira, 2025). The auditors should thus acquire skills of predictive model interpretation, limitations, and transparency in reporting their results. In this regard, the integration of AI enhances the level of analytical expectation of auditors and at the same time increases their ability to identify complex fraudulent schemes.

### 7.2 Implications to Forensic Accountants

To forensic accountants, the adoption of AI is both a broadening of investigative power and a change of professional practice. There are advanced machine learning and graph-based models that help to identify relational and structural patterns of fraud beyond the traditional document review (Cai and Xie, 2024; Li et al., 2023; Shi and Zhao, 2023). These technologies enable forensic experts to create detailed fraud stories based on data-driven information and enhance the rigor of evidence and investigation (Aftabi et al., 2023; Yi et al., 2023; Motie and Raahemi, 2024).

Meanwhile, the profession will be forced to work in a hybrid analytical space where algorithmic reasoning supplements experience. The studies highlight the importance of interdisciplinary skills, i.e., accounting skills and data analytics with technological literacy (Alshurafat, 2022; Guellim et al., 2024; Alshurafat, 2024). It has been found that the existence of forensic competencies in audit engagements is linked to better oversight results, implying that AI-enhanced forensic competence can enhance internal investigations as well as external assurance procedures (Alkhalaleh et al., 2024; Almashaqbeh et al., 2023; Alshurafat et al., 2025). In its turn, the future course of the profession will be determined by whether it will be able to institutionalize the level of analytical sophistication and maintain ethical and evidentiary requirements.

### 7.3 Implications on Regulators

The increasing use of AI in detection of fraud has a lot of regulatory repercussions. Regulators need to take into account standards that regulate transparency, accountability, and model validation as organizations implement predictive models and automated monitoring systems (Fedyk et al., 2022; Sewpersadh, 2025; Garg et al., 2025). With

computational architectures that are hard to oversee, algorithmic transparency poses a difficulty to oversight bodies that need to ensure fair and consistent enforcement (Motie & Raahemi, 2024; Fotoh and Mugwira, 2025; Cai and Xie, 2024).

In addition, the growing popularity of relational and textual analytics expands the evidential foundation of fraud investigations, which raises the question of admissibility and documentation standards (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Shi and Zhao, 2023). Regulators might be forced to create frameworks defining documentation requirements in the AI-generated findings and define the roles and duties of auditors, forensic specialists, and technology providers. In the absence of such direction, the differences in implementation may destroy comparability and consistency between jurisdictions.

#### 7.4 Corporate Governance Implications

The fraud detection technologies based on AI also transform the corporate governance models, introducing analytical surveillance into the strategic oversight processes. Continuous auditing mechanisms and process mining are more aligned with the governance models that focus on the integrated risk management across organizational lines (Eulerich et al., 2025; Werner et al., 2021; Foehr et al., 2025). These systems improve the level of transparency and internal control environments when properly adopted as they allow the timely detection of abnormalities (Hilal et al., 2022; Wang et al., 2023; Sewpersadh, 2025).

The implications of governance are at the board level and executive responsibility. Empirical studies show that managerial attributes and control processes affect the interaction with the developed forensic and audit skills (Alshurafat et al., 2025; Alkhalaileh et al., 2024; Almashaqbeh et al., 2023). Also, the corporate disclosure of artificial intelligence implementation can influence the opinion and financial performance results of stakeholders (Shiyab et al., 2023; Garg et al., 2025; Fedyk et al., 2022). All these findings indicate that AI adoption is not only an operational improvement but a governance change, making data-driven fraud detection an element of the strategic framework of corporate responsibility.

#### 7.5 Critical Gaps in Literature

Although the research on AI-based fraud detection has grown rapidly, there is still a strong imbalance between predictive performance and interpretability. Lots of the

research works put an emphasis on the accuracy measures, including precision, recall, and F1 scores, without paying enough attention to the transparency of the underlying decision-making processes (Aftabi et al., 2023; Shi and Zhao, 2023; Yi et al., 2023). Graph-based and attention-driven architectures show good results in classification, but their internal reasoning is not always comprehensible to the practitioners (Motie and Raahemi, 2024; Wang et al., 2023; Zhou et al., 2024). Even methods that are explicitly described as explainable, like knowledge graph models, focus mostly on the structural visualization instead of legally sound explanation (Cai and Xie, 2024; Li et al., 2023; Hilal et al., 2022). Such an imbalance narrows the scope of its application in practical use of more sophisticated AI systems in any forensic context, where interpretability is not a privilege, but a key to the evidential plausibility.

The second gap is related to contextual and geographical applicability. Much of the empirical research is based on publicly available data that is based on particular capital markets, typically in a developed regulatory framework (Aftabi et al., 2023; Wang et al., 2023; Zhou et al., 2024). Of lower quality are the studies that look at implementation issues in more emergent or institutionally diverse environments, where the data availability, governance frameworks, and reporting procedures can vary considerably (Almashaqbeh et al., 2023; Alshurafat et al., 2025; Guellim et al., 2024). Though research on forensic accounting is finding more and more studies on professional and educational aspects of the discipline in different jurisdictions (Alshurafat, 2022; Alkhalaileh et al., 2024; Alshurafat, 2024), the nexus between AI-enabled detection models and these contextual realities is understudied. As a result, it is not clear whether most technical findings can be generalized to different regulatory environments.

The other significant gap is in the fact that there is little integration of AI methodology with the accounting theory. Technical research tends to solve the problem of fraud detection as a data science one, where optimization of algorithms is prioritized, and little is done with theoretical constructs, including governance incentives, professional judgment, or assurance frameworks (Hilal et al., 2022; Motie and Raahemi, 2024; Yi et al., 2023). On the other hand, studies based on the forensic accounting theory are more likely to focus on professional competencies, institutional functions, and organizational implications without structurally integrating advanced AI-based methods into those contexts (Alshurafat, 2022; Guellim et al., 2024;

Alkhalailah et al., 2024). Such disciplinary segregation prevents the emergence of a set of models that would balance predictive analytics with the conceptual bases of fraud risk and accountability.

The question of legal admissibility and accountability is another area that is not well developed. Even though some studies do not deny the relevance of the issues of the lack of transparency and the use of algorithms, not many of them offer systematic advice on how AI-generated evidence should be presented in a court or a regulatory agency (Fedyk et al., 2022; Fotoh & Mugwira, 2025; Sewpersadh, 2025). Lack of clear documentation procedures, validation standards make one question the defensibility of AI-assisted findings in the court or enforcement context (Motie and Raahemi, 2024; Garg et al., 2025; Cai and Xie, 2024). The functional integration of AI into the forensic investigation can be limited by uncertainty, not technical capability, without a strict analysis of the legal admissibility.

Lastly, the new field of large language models (LLMs) is not well-researched in the context of forensic accounting. Although studies indicate that contextual language learning and text mining can be used to detect linguistic signs of fraud (Bhattacharya and Mickovic, 2024; Senave et al., 2023; Lee et al., 2022), the overall forensic consequences of generative AI and state-of-the-art language models are in its infancy (Fotoh and Mugwira, 2025; Fedyk et al., 2022; Shiyab et al., 2023). The issues of reliability, mitigation of bias and interpretative validity in investigative context are not well answered. Consequently, the literature has not clearly explained how the responsibly embedded use of LLMs can be integrated into forensic processes and maintain analytical rigor and professional responsibility.

## 7.6 Future Research Directions

Future research must no longer be confined to single-algorithms optimization to the creation of hybrid structures that clearly combine forensic accounting concepts with more sophisticated AI systems. Existing studies show a high level of predictive accuracy in machine learning, deep learning, and graph-based systems (Aftabi et al., 2023; Shi and Zhao, 2023; Motie and Raahemi, 2024), but these systems are not commonly integrated into organized forensic investigation procedures. Creating combined structures that match the outputs of AI with the requirements of evidence, investigation, and governance would contribute to the coherence of the methodology and its practical relevance (Alshurafat, 2022; Eulerich et al., 2025; Sewpersadh, 2025).

These hybrid models might be used to formally relate predictive analytics to stages of fraud risk assessment, thus closing the long-standing gap between technical modeling and professional practice.

The second priority relates to the development of explainable AI systems that would be specific to legal and regulatory contexts. Despite the fact that knowledge graph models and relational models provide a better transparency level than black-box neural networks (Cai and Xie, 2024; Li et al., 2023; Motie and Raahemi, 2024), the requirements of courts in the form of evidence require structured interpretability, which is not limited to visual representation. Further studies are thus advised to create validation models that explain how algorithmic reasoning can be reported, reproduced, and defended in court (Fedyk et al., 2022; Fotoh and Mugwira, 2025; Garg et al., 2025). This query is of special significance to the assurance of the quality of AI-generated fraud indicators in the form of reliability and accountability in the context of formal adjudication procedures.

The other potential avenue is the development of cross country and cross industry fraud data that are indicative of various regulatory and institutional contexts. Most of the existing empirical research is based on particular datasets of capital markets, which may not be easily generalized (Wang et al., 2023; Zhou et al., 2024; Yi et al., 2023). Future studies should extend the scope to include emerging economies and more diverse systems of governance to get a more detailed picture of how AI models can work in a heterogeneous reporting context (Almashaqbeh et al., 2023; Alshurafat et al., 2025; Guellim et al., 2024). The comparative research might look at whether the model is more effective in one institutional setting than in another, and thus guide flexible fraud detection architectures as opposed to off-the-shelf design.

The area of AI and other new technologies also deserves systematic study. Research on process mining demonstrates the potential to incorporate data-driven monitoring into assurance structures (Eulerich et al., 2025; Foehr et al., 2025; Werner et al., 2021), but the connection between it and distributed ledger technologies and real-time reporting infrastructures is not well studied. Research into the interaction of AI analytics with more and more digitized financial ecosystems can open up new prospects on preventative fraud governance. Also, the automated monitoring tools can be used in conjunction with relational network analysis to further increase the early-warning

feature in the complex transactional setting (Li et al., 2023; Shi and Zhao, 2023; Hilal et al., 2022).

Lastly, ethical AI governance models need to be a major research agenda. The issues of bias, accountability, and professional responsibility are identified in the literature, but they are seldom formalized into governance structures (Fedyk et al., 2022; Sewpersadh, 2025; Fotoh and Mugwira, 2025). The conceptualization of the ethical oversight mechanisms that specify the roles, documentation standards and validation procedures of AI-assisted forensic investigations should be the topic of future research. Combining the governance theory with technological design might guarantee that fraud detection innovation is consistent with transparency, equity, and institutional legitimacy. By responding to these guidelines the discipline will be able to advance beyond a disjointed experimentation to a unified, accountable, and globally applicable AI-enabled forensic accounting paradigm.

## 8. Conclusion

The direction of financial fraud detection is indicative of a larger change in the structure of assurance and accountability. What used to be a reactive and case-based investigative role has gradually been transformed into a predictive and data-intensive field influenced by artificial intelligence. The literature in the field of machine learning, deep learning, graph analytics, and process mining applications illustrates a steady transition to anticipatory risk definition, as opposed to the retrospective reconstruction (Aftabi et al., 2023; Hilal et al., 2022; Eulerich et al., 2025). These technological innovations facilitate the discovery of the nuanced anomalies that are contained within the financial statements, relational networks, and textual disclosures, and broaden the scope of investigation of the forensic accounting (Cai and Xie, 2024; Bhattacharya and Mickovic, 2024; Wang et al., 2023). In this aspect, AI has transformed the role of fraud detection as a reactive action to a proactive and anticipatory aspect of monitoring.

However, the evidence considered in the present research also highlights the fact that artificial intelligence cannot be visualized as the alternative to professional judgment. Although more advanced models might be better predictors, their efficiency relies on the interpretation of circumstances, ethical control, and alignment of governance (Fedyk et al., 2022; Motie and Raahemi, 2024; Sewpersadh, 2025). Accountability, and institutional trust are the fundamental

pillars of forensic accounting, which cannot be fully outsourced to algorithmic systems (Alshurafat, 2022; Guellim et al., 2024; Fotoh and Mugwira, 2025). Instead of taking over practitioners, AI offers an extension of their analytical scope so they can prioritize a complex interpretation, investigative logic, and strategy oversight. The technological capability and professional expertise complementation comes to the fore as a peculiar feature of modern fraud detection.

Integrative synthesis of the existing research also indicates the need of an integrative framework to be in balance. The technical progress in fraud modeling should be systematically related to the principles of forensic accounting, governance frameworks, and expectations of regulatory bodies (Alkhalaileh et al., 2024; Garg et al., 2025; Eulerich et al., 2025). In the absence of this integration, the predictive accuracy can be a threat to institutional preparedness and ethical protection. A unified system would coordinate the AI practices to the investigative principles, explain the accountability systems, and introduce transparency into the algorithmic architecture. Through such a moderate strategy, the field can shift to a non-disjointed innovation to a mature, responsible, and analytically sound model of AI-enabled forensic accounting, which enhances financial integrity without damaging professional and regulatory credibility.

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