

Forensic Accounting and Auditing: Fundamentals in Solving with the Aggravated Financial Frauds

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Abstract

In recent times fraud and corruption are very well-known incidences in the country which severely impact on the financial sector. Corruption, one of the reasons for an economic crisis, is more and more common in our days. The relevance and dependability of financial information are now in doubt as a result of ongoing financial scams. These issues frequently lead to accusations against the financial reporting methodology and auditing profession. Every year, fraudsters become more skilled, and the methods for detecting these frauds are developing each time. The procedures that regulators should adopt concerning fraud depend on the risk that fraud could happen and remain invisible and the risk of that fraud harming the accuracy and fairness of the statement.

This paper talks about the crucial function of forensic accounting and accountants in financial investigations and uncovering frauds in financial statements along with frauds and their identification and control as the source of erroneous financial statements. The theoretical appraisal technique is used in the paper in the conclusion. Forensic science and fraud symptoms are explained throughout this paper in respect of the Bangladesh race. In most cases, the controllers and auditors will alert the management of the organization to any instances of fraud or corruption. The controllers and auditors should consult a lawyer to decide the appropriate course of action if it appears that management was responsible for the fraud.

Nevertheless, recent structured company scams are well as resources and very sophisticated. It is necessary to respond to the many criminal threats, and this has sparked a demand for forensic accountants. To combat corporate fraud, modern investigators like auditors and legal specialists are needed.

Key Words: Forensic Accounting, Traditional Accounting, Fraud, Investigation, Corruption, Financial Statements.

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I. Introduction

Over the years, fraud engagements are renowned in the Bangladeshi media. Financial misdeeds are so common that almost every individual cannot claim ignorance of their existence/knowledge. Several scandals have shaken the corporate world in Bangladesh and have made auditors' roles in question and have brought the essence and practice of forensic accounting to the pole position. Due to the increasing complexity of criminal offenses, forensic accounting must be added to the list of tools required to successfully investigate people who engage in illegal activity. Although, official statements publicly show that auditors have a neutral function in offering a general, neutral view on financial reporting. But without forensic accounting knowledge, it is impossible to investigate the domain of accounting and identify fraudulent activities.

Forensic accountants are regarded as an auditor as well as private investigators. In regular auditing, the auditor checks to see if the balance sheet was properly prepared and presents an accurate and fair picture of the relevant situation, and checks the conformity of the statements to pre-defined conditions.

Fraud is detected using traditional auditing methods to the extent that AICPA Statement on Auditing Standards (SAS) no. 99 (Consideration of Fraud in a Financial Statement Audit) mentioned and it was published by the AICPA as a sign of its commitment to combating management fraud and preventing audit failures as a result of management fraud. The accounting scandals of Enron, Waste Management, World Com, Adelphia, Xerox, Tyco and Hall-Mark prompted the release of this declaration. However, through this standard, the AICPA massaged that the auditor needs to have "skepticism". The auditors are under no obligation to design and carry out auditing procedures to find misstatements that are not considered material (including those caused by error as well as fraud).

The fundamentals of forensic accounting and auditing are discussed in the article, as well as the method for resolving severe financial fraud in Bangladesh. Banks recognized as engaging in fraud, scams, and heists were used as the dependent variable, and financial data specified by International Standard on Auditing (ISA) 240 as fraud risk indicators were employed as the independent variables. In the financial statements of the listed

banks of Bangladesh, it has been discovered that loan disbursement, assets, profit, operational expenses, and tax are the areas that can indicate the likely existence of fraud. The study's conclusions will have an impact on how Bangladesh's financial sector regulators and auditors conduct their business.

1.2 Milieu of the Study

This study has been put pen to paper for people who have know-how of the Traditional Accounting procedures & techniques in line with the preparation of Balance Sheets, Income Statements, and Cash Flow Statements under managerial & financial accounting. Awareness of the usage of accounting standards¹ will be of further assistance. Practitioners of these rules will be particularly benefitted to understand the current global accounting directions. I believe that this will assist policymakers to reshape our preferences alongside the global trend.

This paper is coming at a time when the current world is constantly changing due to the high level of living and business party trust, making it even harder to manage risk and problems faced in local or international trades are even more challenging against banking laws, policies & regulations governing under traditional accounting rules.

On the other hand, major stakeholders have successfully implemented transactions under traditional accounting entries which are implemented for a long.

Nevertheless, corruption under traditional accounting still goes ahead. But, now that the accountings are not coming very effective, a study shows the factors trimming up the use of forensic accounting in banking transactions.

¹*International Accounting Standards (IASs) were issued by the antecedent International Accounting Standards Council (IASC) and endorsed and amended by the International Accounting Standards Board (IASB). Generally Accepted Accounting Principles, also called GAAP or US GAAP, is the accounting standard adopted by the U.S. Securities and Exchange Commission (SEC). While the SEC has stated that it intends to move from US GAAP to the International Financial Reporting Standards (IFRS). The Financial Accounting Standards Board (FASB) has published US GAAP in Extensible Business Reporting Language (XBRL) beginning in 2008.*

N°	Title	Originally issued
IAS 39	Financial Instruments: Recognition and Measurement	1998
IAS 40	Investment Property	2000
IAS 41	Agriculture	2000
IFRS 1	First-time Adoption of International Financial Reporting Standards	2003

1.3 Objective of the study:

The forensic audit is a technique for preventing fraud and corruption; it gives judges and the appropriate legal authorities information and enough proof to examine and use in court, allowing them to decide whether or not there has been fraud based on the applicable legal provisions.

Forensic accounting is the use of extremely complex accounting methods to unearth instances of questionable behavior and financial irregularities concealed in intricate transactions. These include theft and fraud, as examples. Because of how thorough the investigations are, forensic accountants could testify in court as experts.

Knowing forensic accounting is the study's main objective along with the required skill a forensic accountant should have to investigate and control fraud to resolve disputes. Other specific objectives are to know the crucial role that forensic accounting and accountants play in financial investigations and the identification of frauds in financial statements.

1.4 Methodology & Limitation

The methodology for this paper has primarily been based on secondary data². The theoretical review technique is used in the paper in conclusion. Sources of data collection is depending on available literature on forensic accounting and its forensic science and fraud symptoms are explained throughout this paper.

Data that has been publicly released identifies what is required for forensic accounting and accountants alike. With the aid of observations and solutions, trend analysis teaches practitioners how to assess fraud and corruption.

The paper attempts to suggest the following techniques/models to detect fraud in financial accounts in addition to those already mentioned, based on contemporaneous analysis.

² *Theory of Reference Service, Ed. 2 (1961), S.R.Ranganathan 'Secondary sources are writings that evaluate, interpret, or examine a historical event, period, or phenomena. A review, critique, or interpretation may be written using primary sources, frequently years after the event. Secondary and primary sources are identified and located using tertiary sources.'*

1.4.1 Model Analysis

Frequently accounting records/data that are incorrect or otherwise indicate an exception of some kind is discovered by auditors. They mostly represent exceptions to rules, processes, or internal controls. These occurrences and transactions frequently—if not always—result in minor errors while the accounting event is being recorded, possibly as a result of an error made by humans or by another factor. However, on occasion, they serve as proof of fraud.

Model specification*

$$Y = f(X)$$

Where: Y = dependent variable (Financial Fraud (FF))

X = independent variable (Forensic Accounting & Fraud Investigation (FAFI))

Financial Fraud (FF) = f (Forensic Accounting & Fraud Investigation (FAFI))

That is $FF = f(FAFI)$

X = Forensic Accounting & Fraud Investigation (FAFI)

$$FF = f(FAFI)$$

$$FF = \alpha_1 + \beta_1 \text{LSS} + \mu_1$$

Where:

α_1 is intercept ; β_1 is the coefficients of the explanatory variables

μ_1 is the stochastic variables of the model.

***Based on primary data, this model can be applied. However, this paper has developed by using secondary sources of information. Nevertheless, based on concurrent analysis, this model can be thought of as a way to detect fraud in financial accounts.*

a. Model for the integrated forensic accounting investigative process

Using forensic techniques, Forensic Experts From The Association (AFTWIT) conducted a self study to confirm the digital evidence (Figure 1). In several cases, the forensic analysts worked independently. After reconstructing the fraud case collaboratively, the accountant and the Digital Forensic Analysis [DFAs] informed the business owner, who was in charge of turning the case over to law enforcement, of their findings. (*Grubor et al., 2013*).

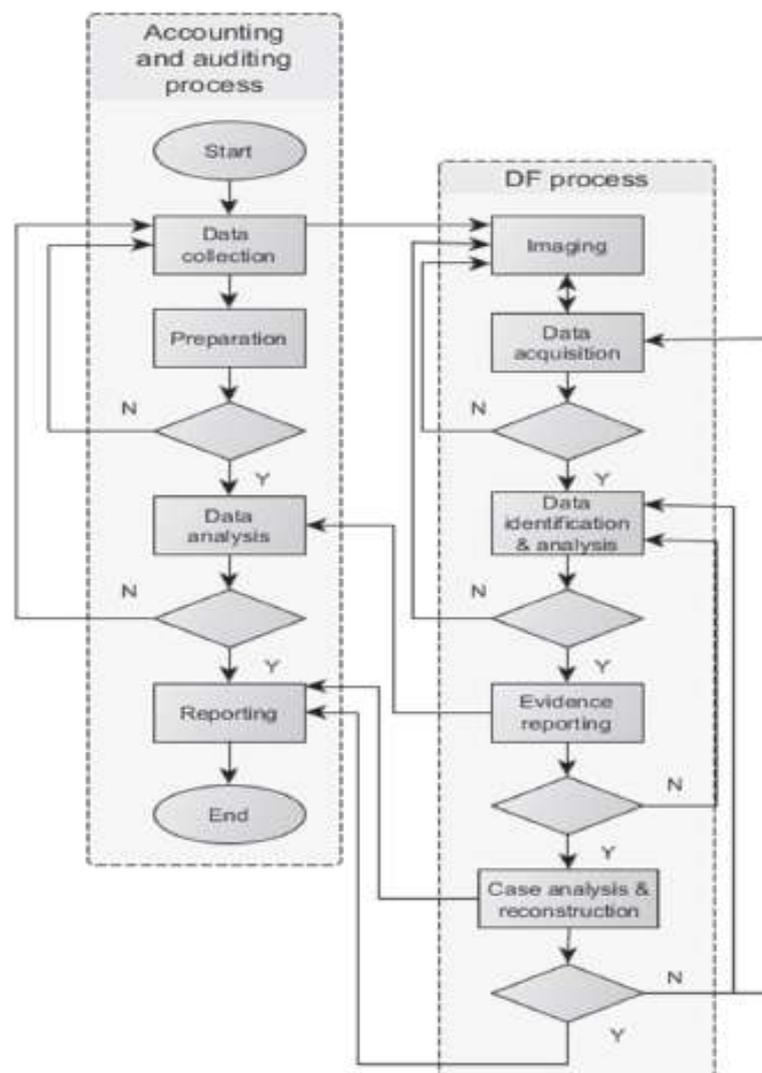


Figure 1. Integrated forensic accounting investigative process model
Source: Grubor et al. (2013)

b. A Model for Aggregating and Classifying Anomalies

When conducting audits, auditors need to use a methodical approach to spotting fraud. They basic system to keep track of the appearance of potential red flags properly. Assessing the likelihood and degree of risk associated with a particular anomaly or exception is a straightforward approach to achieving this. One measure will be used in this model (see Figure 2) to account for both components of the assessment of risk.

The measures can include (1) unlikely to be fraud, low risk; (2) a slight chance of fraud, medium risk; (3) most likely to be connected with fraud, high risk. When something in the data or transaction is incorrect, it is referred to be an anomaly or exception. It can be a case of missing data, an internal control or policy violation, or the existence of a fraud red flag.

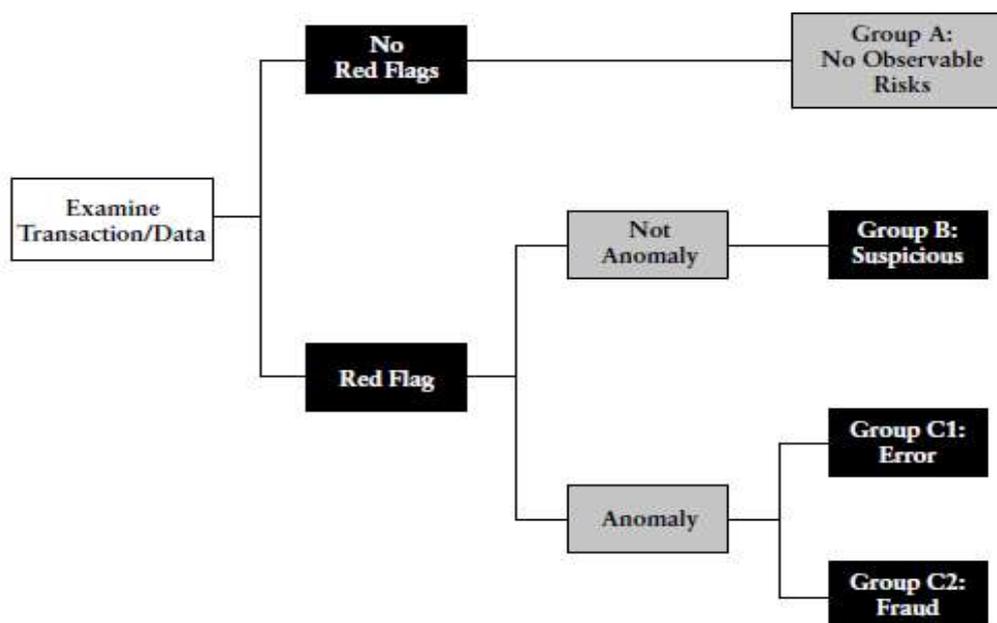


Figure 2. Data/Transaction Classification Model for Fraud

[Source: Tommie singleton, Aaron singleton, Jack bologna, Robert Lindquist ,2006, *Fraud Auditing & Forensic Accounting*, ed-3rd, page 147]

c. Model Implications to the Audit Procedures

This classification model is intended to act as a preliminary layer of investigation. It is not a system for 100% accurate fraud detection, but rather a tool to evaluate the overall risk to the auditors' ability to be confident in the accuracy of the data and transactions they are reviewing by giving them the ability to spot possibly fraudulent transactions or documents.

The same model would be highly helpful in proactive anti-fraud and strategies like data mining and other technologies for data analysis, which have significant advantages in the detection and prevention of financial fraud. With these instruments, the forensic auditor might use the warning signs to create the software tool's tests, metrics, or benchmarks.

The methodology sorts transactions into groups based on risk, starting with Group A for low risk, Group B for moderate risk, and Group C for high risk. Although there are no obvious red flags in Group A, it should be made clear that fraud could exist in any of the three main groupings.

Fraud Scheme	Data Transaction Issue	Status
Vendor Scheme	PO box as physical address	Red flag (B)
	Two checks to same vendor for same bill/invoice	Anomaly (C)
Lapping Scheme	No vacation leave taken	Red flag (B)
	Customers calling in complaints about statements/balance	Red flag (B)
	Customer challenging a check that has cleared their bank but not posted to accounts receivable as payment on company's books	Anomaly (C)
Payroll Scheme	Duplicate check issued to same employee, same time period	Anomaly (C)
	Duplicate SSN on two different employees in payroll database	Anomaly (C)
	No vacation leave taken	Red flag/ Anomaly (B/C)

Figure 3. Examples of Data/Transaction Classification

[Source: Tommie singleton, Aaron singleton, Jack bologna, Robert Lindquist ,2006, *Fraud Auditing & Forensic Accounting* [ed-3rd, page 147]

2. Literature Review:

Forensic Accounting is “A process of examining a person's or organization's financial records to help find out whether a crime has been committed, or to help with a legal case.”- the insights definition expressly stated in the Cambridge Dictionary.

In order to resolve unsolved issues within the constraints of the laws of evidence, forensic accounting is the discipline of applying financial expertise and an investigative attitude. Investigative, accounting, and auditing knowledge are applied to unresolved problems as part of forensic accounting, which is carried out in accordance with the evidential bases.³

To investigate fraud or financial misconduct is the main purpose of forensic accounting. It lessens the difficulty by extracting information and helps to resolve financial disputes by judge or jury to decide at their sole discretion.⁴

In Situations-Forensic Accountant evaluates & decides the accounting information whether it is fairly presented or not without the help of GAAP-based constraints .⁵

Forensic accounting is the language of a court of law. The use of investigative and analytical techniques to address financial concerns in accordance with the criteria demanded by legal authorities. It makes use of specialized knowledge in the fields of accounting, auditing, finance, mathematical methods, specific areas of law, research, and investigative abilities to gather, assess, and evaluate evidence as well as to interpret and present conclusions.⁶

³Bolagna and Linquist (1995) define forensic accounting as the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. Forensic accounting involves the application of accounting and auditing, financial and investigative skills to unsettled issues conducted within the context of the rules of evidence (see. Arokiasamy and Cristal-Lee, 2009; Ozkul and Pamukc, 2012).

⁴Professor D. Larry Crumbley, PhD, CPA, CFF, CrFA, Lester E. Heitger, Ph.D., G. Stevenson Smith, PhD, C. (2015) *Forensic and Investigative Accounting* (7th ed. 2015).

⁵*Forensic accountants provide perspective in situations evaluating whether accounting information is presented fairly without GAAP-based constraints, such as: i. Identification of financial issues ii. Knowledge of investigating techniques, iii. Knowledge of evidence, iv. Interpretation of financial information & v. Presentation of finding.*

⁶W.S. Hopwood, J.J. Leiner & G.R. Young, *Forensic Accounting*, McGraw-Hill Irwin (2008), as quoted by Stephen Pedneault, Frank Rudewicz, Michael Sheetz & Howard Silverstone, *Forensic Accounting and Fraud Investigation*, John Wiley & Sons, Inc. (4th ed. 2017). *Forensic Accounting is the language of civil litigation, in some instances, to resolve trail evidence. The use of intelligence-gathering techniques and accounting/business skills to develop information and opinion for use by attorneys involved in civil litigation and give trial testimony if called upon.*

AICPA committee anomalously defined that “Forensic accounting services generally involve the application of special skills in accounting, auditing, finance, quantitative methods, certain areas of the law and research, and investigative skills to collect, analyze, and evaluate evidential matter and to interpret and communicate findings, and may involve either an attest or consulting engagement”.

In Bangladesh, the threat of corruption has increased as it has multiplied in various parts of government workplaces and also in the private sector, on a broader and shocking scale. To save the country from that terrible situation, the position of a forensic accountant is extraordinarily important. There is an unfortunate alliance between the corrupt elements of the country, which may be undone at least partially, if now no longer absolutely with the assistance and help of forensic accountants.⁷

However, forensic accounting is unlike a usual financial audit. The procedure of identifying, recording, extracting, sorting, reporting, verifying, and settling the details of a specific aspect of every record. And look for reasons why things don't add up or shouldn't. It tries to settle current and upcoming legal conflicts and uses such historical financial data to predict future financial data in order to resolve legal issues. As a result, it takes a lot longer and can cost a lot more than a typical financial audit.⁸

⁷Professor D. Larry Crumbley, Ph.D., CPA, CFF, CrFA, Lester E. Heitger, Ph.D., G. CFAenson Smith, Ph.D., C. (2015) *Forensic and Investigative Accounting* (7th ed. 2015).

⁸The Institute of Chartered Accountants of Bangladesh (ICAB) conducted a seminar in 2008, on "Forensic Accounting – A Dynamic Tool for Combating Corruption in Bangladesh", while dialog in the seminar as the Chief Guest Professor Muzaffar A, “Corruption poses to destroy the morale of our society and is the number one problem of the country.

The Federal Bureau of Investigation (FBI)⁹ defined fraud as “Lying, cheating, and stealing. That’s a white-collar crime in a nutshell. The term reportedly coined in 1939- is now synonymous with the full range of frauds committed by business and government professionals. It’s not a victimless crime. A single scam can destroy a company, devastate families by wiping out their life savings, or cost investors billions of dollars (or even all three, as in the Enron case). Today’s fraud schemes are more sophisticated than ever, and we are dedicated to using our skills to track down the culprits and stop scams before they start”

The U.S Securities and Exchange Commission has defined fraud applies to a transaction involving securities. The Securities Exchange ACT 1934, Section 10b-5 states:It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or the mails, or of any facility of any national securities exchange,

- a. To employ any device, scheme, or artifice to defraud,
- b. To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in those circumstances under which they were made, not misleading, or
- c. To engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

⁹Unfortunately, fraud affects everyone, regardless of their age, race, gender, profession, or any other trait. Many people know someone who has committed fraud or has personally experienced it. It's critical to report fraud if you find yourself a victim. You can seek assistance from a CFE in your neighborhood or file a fraud report with the relevant organization listed below.

United States anti-fraud sites

- Federal Bureau of Investigation www.fbi.gov
- Internet Crime Complaint Center www.ic3.gov
- Federal Deposit Insurance Corporation www.fdic.gov
- U.S. government - Department of Justice www.usdoj.gov
- Better Business Bureau www.bbb.org
- National Fraud Information Center www.fraud.org
- National White Collar Crime Center www.nw3c.org
- Scambusters www.scambusters.org

The United States credit reporting agencies

- TransUnion www.transunion.com,
- Experian www.experian.com

International anti-fraud sites

- Association of Certified Fraud Examiners www.acfe.com,
- Hong Kong Police www.police.gov.hk
- Interpol - Fraud Awareness - www.interpol.int,
- Asian Development Bank (ADInterpol)
- UK Police - Action Fraud - www.actionfraud.police.uk

2.1 Accounting and corporate scandals

In the four years before to its bankruptcy, **Enron's** shareholders lost \$74 billion, which caused the controversy that brought attention to accounting and corporate scandals. Enron Corporation, a U.S. energy business with headquarters in Houston, Texas, was implicated in this accounting fraud. After it was made public in October 2001.

On March 26, 2002, the Securities and Exchange Commission files a lawsuit against Waste Management [**called Waste Management scandal**]. They claimed that the business overstated revenues by \$1.7 billion, while also paying top executives millions of dollars and cheating investors of \$6.0 billion.

The **WorldCom scandal** was a significant accounting scandal that surfaced at WorldCom, the second-largest long-distance telephone company in the USA at the time, in the summer of 2002.

The American cable television provider Adelphia [known as **Adelphia scandal**] Communications Corporation has its corporate offices in Coudersport, Pennsylvania. Brothers Gus and John Rigas launched it in 1952 after spending \$300 on a cable television franchise.

Xerox [**known Xerox scandal**] misled investors into believing that the company's financial position was significantly stronger than it actually was by artificially inflating stock prices. As a result, the S.E.C. fined Xerox and ordered it to pay a fine of more than \$10 million (Ward, 2002).

Tyco International scandal: On September 12, 2002, L. Dennis Kozlowski, a former CEO of Tyco International, and Mark H. Swartz, a former CFO, were shown on national television in handcuffs after being detained and accused of stealing more than \$170 million from the business.

A significant loan scam known as the **Hallmark-Sonali Bank loan scam** occurred in Bangladesh between 2010 and 2012. On the basis of forged documentation, the Ruposhi Bangla Hotel branch of the state-owned Sonali Bank loaned more than 35 billion Bangladeshi taka (\$454 million as of 2011).

3. Bangladesh's current position as per CPI, laws and procedures for combating financial crime are as follows:

According to the "Corruption Perception Index (CPI) 2021" published by Berlin-based Transparency International, Bangladesh is the 13th most corrupt nation in the world. The report was released on January 25, 2022 by Transparency International Bangladesh (TIB), the organization's Bangladeshi branch.



Public and private sector organizations must pass many regulatory hurdles set up by oversight bodies in order to function for the overall benefit of the organization's stakeholders, avoid agency issues, and assure truthful and fair portrayal of financial statements.

3.1 Internal audits & External audits

Organizations use internal audits to monitor the consistency of internal business procedures and to further company goals. An internal audit's goal is to make sure that organizational policies and processes are followed and to alert management to any inconsistencies, abnormalities, or employee theft of company property. It is a mandatory requirement for every financial institution. The Company Act of 1994 mandates that external auditors audit the financial statements of listed firms. A member of The Institute of Chartered Accountants of Bangladesh is required for external auditors (ICAB). To ensure an accurate and fair depiction of the financial affairs of the respective companies, regulatory bodies have mandated this.

3.2 Corporate Governance

The corporate Governance code was developed to protect the interests of all investors and prevent agency issues within organizations. The Bangladesh Securities and Exchange Commission initially established the Corporate Governance Code in 2006. It is updated every six years to include and address any persistent issues that could provide an opportunity for the business to engage in creative accounting and commit fraud.

3.3 Credit Rating Agencies

The companies in charge of determining the borrower's creditworthiness are credit rating agencies. Banks and other financial institutions can use the company's rating when reporting capital adequacy under Basel-II and Basel-III by using an external credit evaluation agency that has been approved by Bangladesh Bank. Additionally, different loan distribution regulations are adhered to in the case of financial institutions to control loan disbursements, as well as whistle blowing (a technique to identify fraud or misappropriation within organizations).

4. Financial Reporting Fraud

Fraud is a kind of activity that negatively affects the economy, corruption, and other people on an individual level as well as the larger society. Almost every culture and nation within the world has some form of fraud and it exists in all sectors of the economy. Fraud are often defined in many ways. Fraud is defined as a false representation or entry that's made purposefully, or without the assumption that it is true, to defraud another person. The auditor's key responsibility is to find this type of fraud responsibility through the theft of cash, the theft of goods, or the manipulation of financial records for a corporation.

The Association of Certified Fraud Examiners defines occupational fraud as; "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets."¹⁰ Confidence games, forgeries of original works of art, fabricated data from a scientific study project, fraud on a résumé, making fraudulent claims of insurance, and a multitude of other potential schemes are only a few examples of the wide spectrum of financial crimes referred to as broad fraud.

¹⁰ The CPI ranks 180 countries and territories around the world by their perceived levels of public sector corruption. The results are given on a scale of 0 (highly corrupt) to 100 (very clean), "Denmark, Sweden, and New Zealand topped the list as least corrupted countries with a score of 88 while South Sudan has been ranked

as the most corrupted country with a score of only 11 out of 100. Bangladesh's position remains static for the last 10 years.

¹¹Howard Silverstone, Michael Sheetz and Stephen Pedneault Frank Rudewicz *Forensic Accounting and Fraud Investigation for Non-Experts* (Wiley, 2012, third edition, page 17)

4.1 Financial Statements Fraud Types

Fraudulent financial reporting contains the three major categories of financial fraud.¹² These fraudulent activities are referred to as the "three M's" of financial reporting fraud:

- a. Manipulation of accounting records or supportive documents from which financial statements are prepared;
- b. Misrepresentation in or intentional omission information from financial statements, and
- c. The purposeful misapplication of accounting principles in relation to sums, classifications, mode of presentations, or disclosures.

Many fraudulent financial reporting-related schemes ought to fall into one of those three categories.

The ACFE¹³ identifies three major forms of occupational fraud:

1. Misappropriation of assets (It entails the theft of money or the improper use of assets and accounts.)
2. Corruption schemes (It entails the employee using his or her power or influence in business operations in such a manner that violates his/her responsibility to the company to secure an advantage for him/herself or someone else.)
3. Fraudulent statement (It comprises the purposeful falsification/omission of data or information which are material, from financial reports of the firm.)

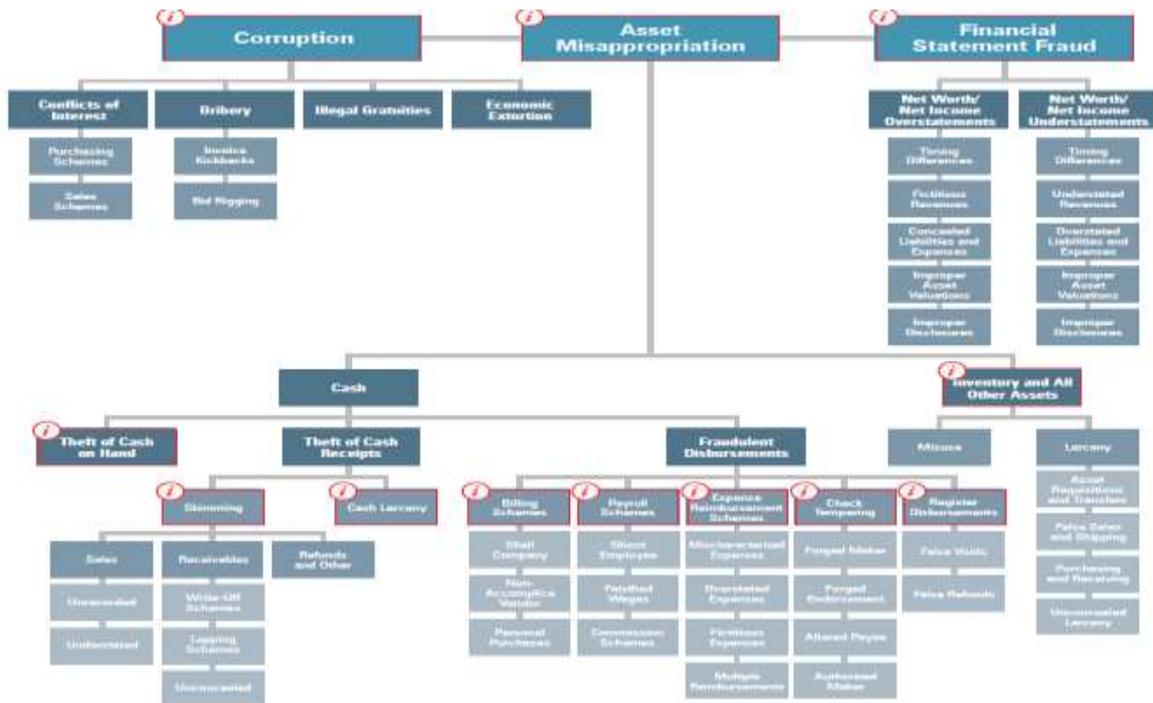
4.2 Anti-Fraud Data Analytics Tests

Potent fraud prevention, detection, investigation tool, and data analytics are crucial components of a successful and comprehensive fraud risk management program. The ACFE's 2020 Record to the Nations states that organizations that utilize proactive data analytics as an anti-fraud strategy tool will report 33% fewer fraud losses than organizations that do not.

¹²Professor D. Larry Crumbley, PhD, CPA, CFF, CrFA, Lester E. Heit PhD, G. Stevenson Smith, PhD, C. (2015) *Forensic and Investigative Accounting* (7th ed. 2015).

¹³The Association of Certified Fraud Examiners (ACFE) is the world's largest anti-fraud organization. By delivering best-in-class training, offering the CFE credential, and fostering a dynamic, global community of anti-fraud professionals, the ACFE is reducing fraud and corruption worldwide. The conversation that sparked the formation of the Association of Certified Fraud Examiners (ACFE) occurred in 1985 on an office porch in downtown Austin, Texas. During a casual exchange between ACFE founder and Chairman Dr. Joseph T. Wells, CFE, CPA, an accountant turned FBI agent, and the foremost criminologist in the country, Dr. Donald Cressey, the ACFE began to take shape.

To assist us to spot the warning signs of various vocational fraud schemes, the interactive tool below offers us several data analytics checks. This tool is based on the **FRAUD TREE [source:ACFE]** structure developed by the ACFE. A single scheme type can be selected to observe data analytics tests that are pertinent to that fraud risk.



FRAUD TREE STRUCTURE

5. Why does Forensic Accounting

Unlike other specialized areas of accounting, forensic accounting is not a recently developed field of accounting. It is come into force due to its necessity in the auditing system to overcome the limitations, and a specialized arena of accounting integrating traditional auditing, accounting, law, and investigation surfaced. The traditional auditing system has become a failure in the organization of their internal & external auditing, because of its reliability & acceptability to the end user of identifying the aggravated fraud.

It can be pointed out that forensic accounting is related to company fraud, which is typically conducted by personnels, merchants, or consumers or in the involvement of all these parties. On the other hand, forensic auditing relates to fraud for the business, which is generally committed by employers, promoters & shareholders to hide actual information from the bankers, revenue authorities & regulators.

Financial statement frauds are intimately related to auditing, although forensic accounting requires more sophisticated investigative methods and technology, which is more justifiable in court.

Significantly, professionals are keen argument with the same similarities between forensic accounting and auditing is to provide a fair report, which comes out from the confusion. More points are to be considered for determining the similarities between forensic accounting and auditing:

1. All fraud auditors are accountants but not forensic accountants. This is due to the fact that forensic accountants are experts in finding and documenting financial transaction fraud by virtue of their knowledge, qualifications, and experience.
2. Forensic accountants are to search out who perpetrated the fraud, how it occurred, how much cash was embezzled, and how to prevent it from happening again in the future
3. Auditors have a primary responsibility to invest public funds so that shareholders are not duped into parting with their money in reliance on false financial statements.
4. Forensic accountants are extremely specific. They are not anxious about the whole financial condition of the company. Objectives of them are specifically defined as privileged and confidential.
5. Auditing often begins with a program and plan that do not diverge in any way, shape, or form. A forensic accountant's investigation is not analogous at all, but depending on the material found, it can call for new rules.
6. Apart from the above, the under-noted differences also consider, why forensic accounting is different from auditing:

- Audits are planned events and occur at a regular intervals. Forensic investigations are non-recurring, reactive, unforeseen, and demanding events.
- Auditors are appointed by the shareholders. A forensic accountant is instructed by company owners, counsel, or third parties as and when required.

- Forensic investigations are naturally conducted on an intended basis because the act of fraud is suspected to have taken place. An audit is a mandatory undertaking for which a company must deploy an auditor to carry out its role under the preview of a regulatory requirement.
- A financial audit is carried out by people who are certified public accountants (CPAs). A forensic inquiry, on the other hand, is handled by a diverse team of experts.

5.1 The Required Skill a Forensic Accountant Must Possess:

It is without any doubt that "competent, trained, and experienced accounting specialists with skills in forensic accounting can show to be a helpful addition to the business sector and ultimately aid to better corporate governance systems. Although Forensic accountants (FAs) were initially employed by government organizations to find and look into major scams. They were hired by management as financial detectives, impartial professionals who looked into fictitious financial reporting and missing assets. However, the forensic accountant's role is commonly referred to as fraud, prevention of fraud, and investigation of fraud. Beyond fraud, forensic accounting is applicable in a wide range of other situations. Fraud is merely one of them. In response to the growing demands of enterprises, the definitions of forensic accounting are evolving.

According to Aderibigbe (2000), a forensic accountant needs to be highly competent, honest, and ethical to do his work. According to him, to join a recognized accountancy body, a forensic accountant must undergo extensive training and demonstrate his expertise by passing all pertinent exams. Insolvency and reorganization, computer forensics, economic damage estimates, and firm valuation are some areas where forensic accountants may be used. Moreover, forensic accountants can provide litigation services (Rufus et al., 2015) such as expert witness services (can express opinions as expert witnesses) and consulting services (such as assisting the attorneys).

The AICPA's 'Forensic and Litigation Services Committee,' defined forensic accounting as "forensic accounting may involve the application of special skills in accounting, auditing, finance, quantitative methods, the law, and research. It also requires investigative skills to collect, analyze, and evaluate financial evidence, as well as the ability to interpret and communicate findings. Forensic accounting encompasses litigation support, investigation, and dispute resolution and, therefore, is the intersection between accounting, investigation, and the law."

However, Certified Public Accountants (CPAs) with a minimum of two years of professional experience in forensic accounting can apply to become Certified Forensic Accountants (CRFACs). The Certified Forensic Accountant program covers every topic which is needed by a Certified or Chartered Accountant to magnify their field of expertise.

After realizing the need for a credential in forensic accounting beyond the well-known Certified Fraud Examiner (CFE) qualification, the American Institute of Certified Public Accountants (AICPA) introduced a new certificate for CPAs who specialize in forensic accounting and litigation support in 2008. The AICPA established the discipline of forensic accounting to incorporate a fundamental knowledge base along with particular practice areas or applications for forensic accounting, and from September 2010, the Certified in Financial Forensics (CFF) credential became effective.

The CFF's¹⁴ fundamental forensic knowledge is:

- Professional Responsibilities and Practice Management
- Laws, Courts, and Dispute Resolution
- Planning and Preparation
- Information Gathering and Preserving (Documents, Interviews/Interrigation, and Electronic Data)
- Discovery
- Reporting, Experts, and Testimony

¹⁴Professor D. Larry Crumbley, PhD, CPA, CFF, CrFA, Lester E. Heitg Ph.D. PhD, G. Stevenson Smith, PhD, C. (2015) *Forensic and Investigative Accounting (7th ed. 2015)*.

Specialized Forensic Knowledge¹⁵ is:

- Bankruptcy, Insolvency, and Recognition
- Computer Forensic Analysis
- Economic Damages Calculations
- Family Law
- Financial Statement Misrepresentation
- Fraud Prevention, Detection, and Response
- Business Valuation

According to the suggestion of the AICPA website the essential traits and characteristics of a forensic accountant are- Analytical, Detail Oriented, Ethical, Responsive, Insightful, Inquisitive, Intuitive, Persistent, Skepticism, Evaluative, Function well under pressure, Generate new ideas and scenarios, Confident, Make people feel at ease, Team player, Adaptive and Other.

As a result of the foregoing debate, it is feasible that in addition to having a strong foundation in accounting, auditing, computing, and statistics, a person need also be adept at analysis, communication, and social skills. They ought to have a solid knowledge of how to employ information system packages in fraud investigation in this highly developed information age.

5.2 The Role of Forensic Accountants

A CFA is frequently hired to investigate, examine, interpret, abridge, and present existing crucial financial information in a way that is easily understandable and justifiable. They are involved in analyzing, investigating, and interpreting economic evidence and after that communicating their finding in the form of reports exhibits, collection of documents, and assisting in legitimate proceedings, affirming in court as all professional witnesses, and making visual assistances to help trial evidence.

¹⁵*Howard Silverstone, Michael Sheetz and Stephen Pedneault Frank Rudewicz. Forensic Accounting and Fraud Investigation for Non-Experts (Wiley, 2012, third edition)*

Consequently, a forensic accountant can be useful in a number of ways, such as:

- Provide basic guidance on the pleading and evidence that are accessible at the beginning of reports.
- Locating the important records that ought to be made public as proof. This is crucial if the defense is being handled by a forensic accountant and lawyer who are compiling lists of documents to be presented in court.
- Creating a thorough, balanced report on the amount of evidence that is written in a style that is understandable to non-accountants and addresses all issues, whether or not they are in the client's favor.
- Examining expert accounting reports provided by the other party and giving legal counsel on them may have an impact on the volume of evidence.
- During pre-trial preparation, educating legal counsel on the financial and accounting components of the case.
- The introduction of environmental accounting can be started on the forensic accountant's other plane to show the environmental harm that has been done and to highlight potential ways to repair those damages or replace lost assets.

A forensic auditor or accountant steps in to manage such practices by supervising the questioned asset examination, invigilation, document inspection, and interview of the person concerned. Employee stealing and embezzlement, as well as involvement in kickback schemes or the transfer of corporate resources for own use, are common cases of occupational fraud that occurred by personnel. With experience and this kind of interaction, a forensic accountant is able to recommend internal measures that can be used to lessen the risk of deception. Additionally, to participate in an investigation that was unlawful on behalf of the legal/criminal authority/police a forensic accountant and his report will be written with the object of succinctly and professionally representing the information. These presumptions commonly call for an in-depth evaluation of a number of years' worth of accounting records in order to quantify the complications at hand. He requires knowledge of the legal issues surrounding company activities. So, a forensic accountant may offer support in many ways. Investigation of accounting information, by analyzing the actual condition and provision of suggestions concerning potential ways of action, assistance in the specialized and repossession of assets, and coordination with other professionals

6. Findings & Insight Recommendation

The following findings are pointed out under the noted points:

- A.** Investigations into fraud or other financial malfeasance are the focus of forensic accounting. By simplifying the material, it makes financial issues easier for a judge or jury to decide on their own.
- B.** In order to combat the evolving criminal danger, modern investigators must have the capabilities of auditors to specialists. As a result, forensic accountants are in higher demand.
- C.** This is performed by assessing the financial positions of all parties involved in order to advance the settlement process and provide attorneys with exact data to use in court. A forensic accountant is able to locate assets that one party may be trying to hide from the other.
- D.** The use of extremely complex accounting methods is known as "forensic accounting," and it aims to uncover instances of dubious behavior and financial irregularities cloaked in complex transactions. These

include, for instance, theft and fraud. Forensic accountants can testify as experts in court due to the depth of the investigations.

E. This article covered the required credentials as well as the crucial function that forensic accounting and accountants play in financial investigations and the identification of crimes in financial accounts.

F. Forensic Accountant: Is it yet to recognition in Bangladesh Law?

i. The financial savvy of Bangladesh's CAs could be improved by bringing together a post-qualification degree or credential in Forensic Accounting and Fraud Investigating.

i. to establish a Serious Fraud Investigation Officer (SFIO) under the Ministry of Corporate Affairs, which could be viewed as the Bangladeshi government's initial move to acknowledge the value of forensic accounting and to advance the profession. The SFIO is a multidisciplinary organization made up of authorities in the financial industry, capital markets, accounting, forensic auditing, taxation, law, information technology, company law, customs, and investigation.

ii. These experts were drawn from numerous institutions, with banks, the BSEC, the Comptroller and Auditor General, as well as various governmental agencies and ministries. To combat white-collar crime, the Police, RAB, DB, and other law enforcement organizations are heavily active. These law enforcement organizations' investigators receive zero training in this particular area of a forensic accounting-required white-collar criminal investigation.

G. Absence of Qualified Specialists in Forensic Accounting:

i. Financialscams and white-collar crime detection and prevention are the main goals of forensic accounting, a fast-mounting area of accounting. The importance of this area of accounting in Bangladesh has not, however, been given, despite an alarming rise in complex financial crimes and a lack of suitably qualified specialists to look into and report on them.

ii. In addition to providing routine auditing under the Companies Act or the Income Tax Act, forensic accountants are chartered accountants who are requested by law enforcement organizations, businesses, or private individuals to assist in the investigation of financial crimes or frauds.

iii. Ordinary investigating officers are assigned to the financial offense extension where they are anticipated to handle different cases containing complex and sophisticated records that must be investigated to uncover misconduct or a specific tactic used by white-collar criminals. These investigators are responsible for looking into major financial crimes after spending time looking into conventional crimes. Due to his lack of specialized knowledge and credentials, the IO is unable to thoroughly investigate the financial crime to its logical conclusion, which causes the case to fall apart naturally and let the offenders go free.

iv. In contrast, law enforcement organizations like the DEA, FBI, and CIA in Western nations, particularly the United States, have gathered a pool of special agents with backgrounds in forensic accounting who act as the core of the bureau's financial crimes and terrorism financing units and conduct professional-caliber investigations into multifaceted financial crimes like money laundering, crimes in the internet, economic institutional fraud, and financial crimes. The FBI currently employs 600 agents with accounting credentials. Because forensic accountants commonly work with criminal issues that arise after a financial crime, law enforcement authorities in Bangladesh must follow suit and employ them.

7. Conclusions

Corruption became a significant problem during the economic slump. Fraud today is intricate and different from the years before. While mistakes occur randomly, fraud is intentional. Numerous methods, including mail, wire, phone, and the internet, can be used to commit fraud (computer crime and internet fraud). Internet fraud has rapidly increased as a result of the global nature of the uses of internet, through which the users can easily hide their position, the difficulty of online identification and validity verification as well as the ease with which hackers can lead browsers to fake websites and easily steal information of credit card.

The goal of internal control is to establish and maintain a secure workplace so that the risks of fraud and corruption may be successfully managed. The controllers and auditors will typically notify the company's management of any instances of fraud or corruption. The controllers and auditors should consult a lawyer to decide the appropriate course of action if it appears that management was responsible for the fraud. If controllers or auditors believe fraud or other irregularities have occurred, they must alert a third party, such as the police. However, the early emphasis of forensic accounting was on the detection and avoidance of white-collar crime and the financial fraud.

To identify and prevent any fraudulent cases, it is important to properly examine the banks' assets, liabilities, and expenses. While scrutinizing the bank's documentation, the authority must conduct a thorough investigation into these areas. More financial statement line items and non-financial information may be included to provide a clearer picture of the fraud.

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