

FORENSIC AND INVESTIGATIVE ACCOUNTING EDUCATION IN ACCOUNTING CURRICULUM IN SRI LANKA (A SURVEY OF COURSE OUTLINES)



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Introduction

Over the last twelve years period, we have experienced most significant involvement on improving investor confidence and public trust in financial reporting. Reported international financial scandals Such as Enron, WorldCom, Lehman Brothers and local examples on Golden Key, Pramuka Bank have increased the necessity of proper mechanism for detection and prevention of frauds in the financial statements. As a result of Europe and US region financial scandals Forensic and investigative accounting actively came into the field. There were variety of measures to prevent or minimize corporate collapses from re-occurring via the enactment of the Sarbanes-Oxley Act of the United States, and the Corporate Law Economic Reform Program Act ('CLERP 9') in Australia. These statutes have imposed greater duties upon a range of persons involved in corporate governance and capital markets, and may have an impact upon the liability faced by these stakeholders.

Its' not just a tool to improve the investor confidence but also made forensic accounting an attractive career opportunity for accountants to defeat frauds. Generally "Forensic" means "suitable for use in a court of law". In this discipline, Forensic accounting might be a sub component of Accounting, Reporting and Auditing with a judicial connection. But formally Forensic accounting is an engagement for provide an absolute assurance on the financial statement where professional accountants anticipate that their finding or analysis may be subject to judicial examination or administrative review.

“ Forensic accounting is the application of a transaction reconstruction methodology to legal issues. It is frequently associated with the analytical investigation of civil or criminal actions ”

According to Journal of forensic Accounting

"Forensic accounting is sufficiently thorough and complete so that an accountant, in his/her considered independent professional judgment, can deliver a finding as to accounts, inventories, or the presentation thereof that is of such quality that it would be sustainable in some adversarial legal proceeding, or within some judicial or administrative review."

Thomhil (1995) stated that Forensic accounting is a relatively new concept, hence there has been no formal definition being accepted as the standard. However, he defined forensic as an accounting analysis to assist in legal matters, which will form the basis for discussion, debate and ultimately dispute resolution. According to Ansari (2005), forensic accounting is the application of a transaction reconstruction methodology to legal issues. It is frequently associated with the analytical investigation of civil or criminal actions, such as:

- White-collar crime (Fraud and Embezzlement)
- Insurance casualty claims
- Loss measurement
- Accounting malpractice, and
- General abuse of trust relationships.

A more detailed definition of forensic accounting was offered by Bologna and Lindquist (1987). They defined forensic accounting both as a profession and as a discipline. As a profession, forensic accounting is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As a discipline, it encompasses financial expertise fraud knowledge and understanding of business reality and the working of the legal system. In a nutshell, forensic accounting is the application of accounting and auditing skills to legal problems, both civil and criminal. It has converted from the stage of mere testifying in court, i.e. expert witnessing to a more investigative function.

Many universities are currently offering Forensic accounting related courses and there are several professional organizations and associations promoting fraud examination and forensic accounting education among the society.

There are three of the top six accounting niche services fall within the forensic accounting area: business valuations, litigation support, and forensic/fraud (Covaleski 2003).

At present in Sri Lanka, appears to be a gap between forensic accounting practices and education in the sense that forensic accounting is viewed as one of the most secure career tracks, yet there are not accounting programs offering forensic accounting courses. Post era of the Golden key and Pramuka Bank failure created high demand for professionals and academicians those who have special investigation capabilities. Some professional courses and accounting curriculums of universities are identified and included few topics about special investigation techniques.

However still there is no bi-furcated programme for forensic accounting form accounting and auditing curriculums of both professional and academic education.

This paper reports the opinions and views of academicians and practitioners about the content and way of delivery of forensic accounting education base on the course contents. To assist with curriculum design of forensic accounting, this study examines both academic programme (accounting faculty) and practitioners' programme course outlines publicly available in the World Wide Web and the other public sources.

To identify the most popular and required areas that should be included in a Forensic and investigative accounting curriculum in Sri Lanka, we referred 14 academic syllabuses of foreign universities and 3 professional education syllabuses.

Literature Review

Financial pressure at home and at work has led to a big increase in opportunistic fraud, according to a survey by accountants KPMG in Britain 2012. As the BBC reports, identity fraud hit £26.3 million last year, employee fraud doubled to £25 million while counterfeiting of goods hit a five-year high. Identity fraud more than doubled in value to £26.3m in 2012 and counterfeit goods' fraud is at a five-year high. Companies blamed insider fraud perpetrated by either management or employees for 80% of fraud-related financial losses last year. However, the number of cases and value of fraud committed by professionals fraudsters fell in 2012, KPMG said. Further KPMG Forensics' 2012 survey conducted in Sri Lanka revealed that out of 90 respondents surveyed, representing 102 industry segments, a total of 70% admitted to having encountered fraud within their organizations, out of which 64% were from the private sector, while a startling though

unsurprising 89% of the respondents encountered fraud in the public sector.

sixth Global economic crime survey (2011) examines the causes and effects of fraud worldwide, focusing on the growing threat of cybercrime 34% of respondents experienced economic crime in the last 12 months (up from 30% reported in 2009). Almost 1 in 10 who reported fraud suffered losses of more than US\$5 million. Senior executives made up almost half of the respondents who didn't know if their organization had suffered a fraud. 56% of respondents said the most serious fraud was an inside job.

Major financial scandals brought out the necessity of forensic education worldwide

Major financial scandals brought out the necessity of forensic education worldwide. However there was a limitation of researches, but after 1998 researchers identified the requirement of the Forensic accounting education and conducted many researches under the area. Currently many international universities offer Certificate courses, Diploma and Degree programmes as well as Master degrees in the area of Forensic & Investigative Accounting. There are reputed professional institutions also in this area specially in USA and UK. In Sri Lanka, forensic accounting is still not an identified area to study. However many international audit firms perform some services in the area of Forensic & Investigative Accounting.

Buckhoff and Schrader's study (2000) finds, "adding a forensic accounting course to the accounting curriculum can greatly benefit the three major stakeholders in accounting education—academic institutions, students, and employers of accounting graduates."

Previous Studies on this area mainly focused on demand and supply of the Forensic & Investigative Accounting. The group who did researches on supply side involved in the development of curriculums and course contents for the area. The demand side discussed about the career prospects of the Forensic & Investigative Accounting. Rezaee (2002) conducts a survey of a small sample of undergraduate and graduate accounting students and finds that responding students believed forensic accounting offers rewarding career opportunities, yet forensic accounting education is not getting adequate attention in the accounting curriculum and should be further promoted in colleges and universities. Further Rezaee, Crumbley, & Elmore, (2004) study gathers opinions of both academicians and

practitioners regarding the importance, relevance, and delivery of forensic accounting education. Results indicate that the demand for and interest in forensic accounting is expected to continue to increase; more universities are planning to provide forensic accounting education; both groups of respondents viewed forensic accounting education as being relevant and beneficial to accounting students, the business community, the accounting profession, and accounting programs; and the majority of 49 suggested forensic accounting topics are considered as important for integration into the accounting curriculum by both groups of surveyed academicians and practitioners. Efiang, (2012) stated that there is a growing demand for fraud and forensic accounting globally, much of its advancements and adaption in the accounting curriculum in the universities are taken in the developed economies. Equally, empirical studies tend to be set mostly in the developed economies with little representation of the situation in the developing economies.

“forensic accounting is considered as a component part of audit courses rather than being a standalone course in tertiary institutions of developing economies”

Okoye, (2009) has been mentioned that one of the major challenges facing the development of forensic accounting in developing economies is the fact that most companies, educational institutions and individuals myopically believe that forensic accounting is not different from auditing, hence they give very little or no attention to it. This is evidenced from the fact that forensic accounting is considered as a component part of audit courses rather than being a standalone course in tertiary institutions of developing economies. Though these two accounting disciplines are similar, yet a sharp line of demarcation can be drawn in terms of their objectives and requirements. Grippo and Ibex (2003)¹ Mazni and Mohd (2008); and Carey (2008) revealed that forensic accounting is different from auditing and is as presented in the table below:

Forensic Accounting	Auditing
Focus on providing an opinion based on the facts that can be known or as yet uncovered in organizations. Forensic Accountant sees something that an ordinary eye has not seen.	Focus on express an professional opinion of the true and fair view of financial statements of organizations.
Expert witnessing and investigative functions.	Investigative functions only
Carried out by on demand by the organization.	A constant routine process in the organization.
Handle both civil and criminal cases.	Handles only civil cases.

Peterson and Reider (2001) review forensic accounting course syllabuses of universities and analyze the level of course offering, learning objectives, content of forensic accounting courses, and course requirements. Studies in this group provide information on a small sample of universities that are already offering forensic accounting and/or fraud investigation courses and address only the “supply side” of the equation in the sense that they provide information on what is being taught or what academicians and professionals feel are important forensic accounting topics.

In our study, we reviewed a sample of 14 foreign universities and 3 foreign professional institutions that are currently offering forensic accounting related courses and have their syllabuses available online.

Data Collection & Methodology

To gather data relevant to the forensic and investigative accounting mainly focused on secondary sources. We perform a content analysis of a sample of 17 forensic accounting course syllabuses comprising 14 syllabuses from international academicians and 03 foreign professional institutions. The World Wide Web is the main source of Forensic Accounting Education syllabuses and The Institute of Chartered Accountants of Sri Lanka helped to gather further information about syllabuses. The collected 17 syllabuses were submitted to content analysis to identify the list of forensic accounting course description. To identify the key areas of the proposed content we have selected 20 topics to analyze the collected syllabuses as follows,

- A. Introduction
- B. Legal system
- C. Introduction to the resources and technology available
- D. Detecting Fraud in Financial Reporting
- E. Employee Fraud: The Misappropriation of Assets
- F. Indirect Methods of Reconstructing Income
- G. Money Laundering and Transnational Financial Flows
- H. Litigation Services Provided by Accountants
- I. Proper Evidence Management Litigation Support in Special Situations
- J. Business Valuation
- K. Commercial Damages
- L. Computing Economic damages
- M. Investigation of Electronic Data Digital Forensics

Analysis

- N. Cybercrime Management: Legal Issues & Cybercrime Loss Valuations
- O. Interview with suspect
- P. Reporting
- Q. Case studies
- R. company visit
- S. court visit
- T. Accounting & Auditing

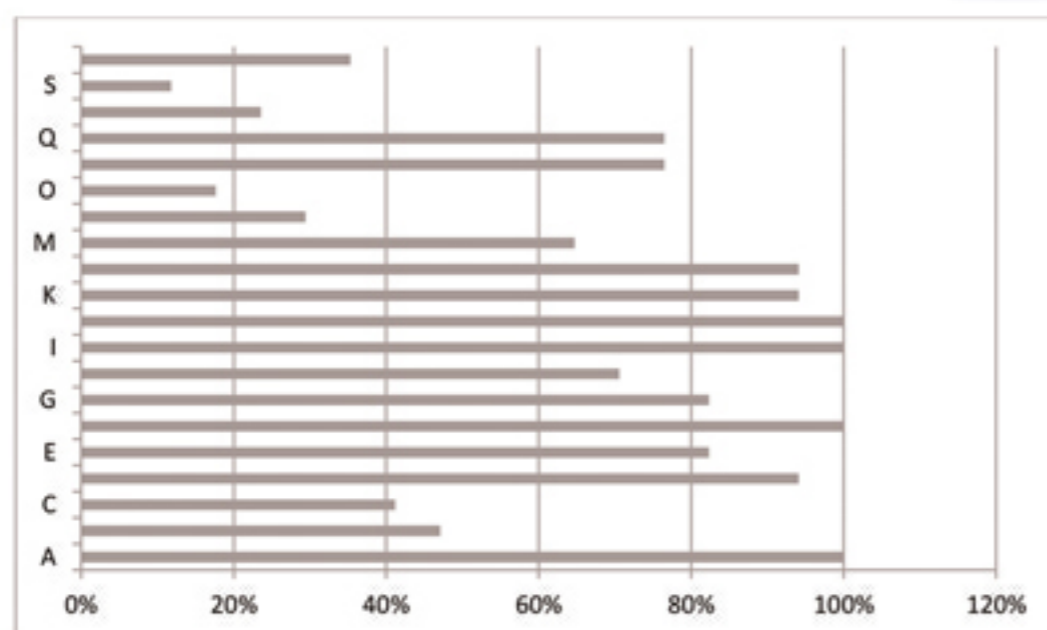
Descriptive statistics is used to identify the frequency of usage of selected forensic and investigative accounting areas.

The percentage of selected area within collected syllabuses show that how the selected academicians and practitioners value and given their consideration for major topics. The percentages of subject areas may help to find out the relative importance of the particular area.

Results

Content analysis of the collected forensic and investigative accounting syllabuses mainly focuses for the proposed syllabus of forensic and investigative accounting education in Sri Lanka. Following table shows the relative importance of the selected topics of the forensic and investigative accounting subject within the collected syllabuses in this research.

	<i>Subject area</i>	<i>Importance</i>
A	Introduction	100%
B	Legal system	47%
C	Introduction to the resources and technology available	41%
D	Detecting Fraud in Financial Reporting	94%
E	Employee Fraud: The Misappropriation of Assets	82%
F	Indirect Methods of Reconstructing Income	100%
G	Money Laundering and Transnational Financial Flows	82%
H	Litigation Services Provided by Accountants	71%
I	Proper Evidence Management Litigation Support in Special Situations	100%
J	Business Valuation	100%
K	Commercial Damages	94%
L	Computing Economic damages	94%
M	Investigation of Electronic Data Digital Forensics Analysis	65%
N	Cybercrime Management: Legal Issues & Cybercrime Loss Valuations	29%
O	Interview with suspect	18%
P	Reporting	76%
Q	Case studies	76%
R	Company visit	24%
S	Court visit	12%
T	Accounting & Auditing	35%



We decided to cherry – pick above areas base on the popularity of the topic in the sample syllabuses.

Total topics were bi-furcated into theoretical aspects and the practical aspect of the forensic and investigative accounting discipline. Each area is ranked according to the

percentages it takes within the sample syllabuses. Following table shows us how areas are ranked according to its importance.

Theoretical Aspect

Introduction	100%*
Indirect Methods of Reconstructing Income	100%*
Proper Evidence Management Litigation Support in Special Situations	100%*
Business Valuation	100%*
Detecting Fraud in Financial Reporting	94%*
Commercial Damages	94%*
Computing Economic damages	94%*
Employee Fraud: The Misappropriation of Assets	82%*
Money Laundering and Transnational Financial Flows	82%*
Litigation Services Provided by Accountants	71%*
Investigation of Electronic Data Digital Forensics Analysis	65%*
Legal system	47%
Introduction to the resources and technology available	41%
Cybercrime Management: Legal Issues & Cybercrime Loss Valuations	29%

When consider the theoretical aspect of collected all syllabuses within the sample had given the priority to learn Introduction to the forensic and investigative accounting, Indirect methods of reconstructing income, Proper evidence management litigation support in special situations and Business valuation. Meanwhile the areas such as Detecting Fraud in Financial Reporting, Commercial Damages, Computing Economic damages, Employee Fraud: misappropriation of assets, Money Laundering and Transnational Financial Flows represent more than 80% of the sample syllabuses. These areas were identified by the selected academicians and practitioners as most important and relevant topics of the forensic and investigative accounting education. They also thinking the Litigation services provided by the accountants and the Investigation of Electronic Data Digital Forensics Analysis in current technology driven environment is essential for the education. However collected sample syllabuses not highly represent the areas like Legal system, Introduction to the resources and technology available, Cybercrime management: legal issues & cybercrime loss valuation in the content.

Practical aspect

Reporting	76%*
Case studies	76%*
Accounting & Auditing	35%
company visit	24%
Interview with suspect	18%
court visit	12%

More than 75% of syllabuses collected considered Reporting part and the Case study analysis are the most important areas for the practical education of forensic and investigative accounting. But few syllabuses had given the priority to engage in the activities like Company visits, Interview with suspects, Court visits and Accounting & Auditing.

Conclusion

The past years have experienced significant changes in the business environment including globalization, technological advances and highly rated financial and accounting scandals that create a way of consider to improve public trust and investor confidence in businesses and financial reports. Emerging legal/regulatory, social, economical, ethical, and technical challenges also create a demand for forensic and investigative accounting. Increasing financial and accounting frauds highly influence the downsizing the developed economies and also make barriers to developing economies like Sri Lanka. With intention of include the forensic and investigative accounting education into accounting curriculums in Sri Lanka we referred contents of the collected sample syllabuses and identified most important areas as follows.

Introduction

Indirect Methods of Reconstructing Income
 Proper Evidence Management Litigation Support in Special Situations
 Business Valuation
 Detecting Fraud in Financial Reporting
 Commercial Damages
 Computing Economic damages
 Employee Fraud: The Misappropriation of Assets
 Money Laundering and Transnational Financial Flows
 Litigation Services Provided by Accountants
 Investigation of Electronic Data Digital Forensics Analysis Reporting
 Case studies

Even areas such as Cybercrime Management: Legal Issues & cybercrime loss valuation and court visits were not presented as significant in the analysis, it seems to be more crucial in the current content of business and accounting/finance profession.

Limitation of the Study

Since the time limitation and the available data within the country is limit, the study focused only on the course contents and ignores the objectives of the study and also learning outcomes. On the other hand researchers need to get ideas and comments about the forensic and investigative accounting from the practicing accountants as well as the academicians available into the field. This study limited only to the topics needs to be included in the proposed course content.

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