

THE CONCEPT AND CHALLENGES OF FORENSIC ACCOUNTING

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ABSTRACT

This paper looked at the concept of forensic accounting as an emerging area of specialty in accountancy. It highlighted that the increase of interest in forensic accounting stemmed from sophistication in frauds occasioned by unbridled advances in technology. The paper examined the common areas where the services of forensic Accountants are usually needed in the society. It further discussed the essential skills needed by Forensic Accountants to be able to discharge their responsibilities creditably and meet the expectations of their clients. However, some challenges that tend to vitiate the efforts of Forensic Accountants in meeting their clients' expectations were discussed. Finally, the author recommended among other things, that the National Universities Commission (NUC) should prevail on Nigerian Universities to develop curriculum for forensic Accounting for students in order to stimulate their interest in this emerging specialty in accountancy.

hand, he states that employee fraud investigations often concern procedures to determine the existence, nature and extent of fraud and may extend to the identification of the perpetrator. Forensic Accountants are often engaged to undertake the function.

- (e) **Matrimonial Disputes:** Forensic Accountants are involved in tracing, locating and evaluation of assets of married couples in dispute. The assets may be businesses, machineries, properties, etc which are required to be evaluated for purposes of sharing.
- (f) **Business Economic Losses:** Another thriving area of engagement of Forensic Accountants is in the calculation of business economic losses. Economic losses result from contract disputes, construction claims, expropriation, product liability claims, trademark and patent infringements and losses stemming from a breach of a non – competition agreement. Related to the above is the determination of economic damage from professional negligence and wrongful dismissal from service.
- (g) **Criminal Investigation:** Forensic Accountants are among the professionals the members of police force employ their services in carrying out criminal investigations. The Forensic Accountant here presents evidence in a professional and concise manner in legal proceedings.
- (h) **Mediation and Arbitration:** As a result of familiarity of Forensic Accountants with legal issues and procedures, they often get involved in Alternative Dispute Resolution (ADR). ADR services include both mediation and arbitration that are designed to resolve disputes with minimal delay, disruption and less financial commitment.

SKILLS OF FORENSIC ACCOUNTANTS

The extent and scope of duties expected of Forensic Accountants are obviously challenging. To be able to discharge those responsibilities effectively and creditably, Forensic Accountants require some skills. Aderibigbe (2000) suggests that a Forensic Accountant requires high level of competence, integrity, probity and honesty. He also states that a Forensic Accountant must be thoroughly trained and must prove his competence by passing all relevant examinations to

become a member of a recognized accountancy body. He stresses that some of the virtues are acquired during the period of training as an accountant.

However, Wallace (2001) in Owojori and Asaolu (2001) states that a Forensic Accountant must possess the following requirements:

- An ability to review a large volume of documentation, ranging from the more usual accounting records and management information system to memos, correspondence and other less obviously financial data, and to extract the key issues quickly.
- A sound understanding of peculiarity of various business methods.
- A sense of urgency and commitment which will ensure prompt response when required, however slow civil litigation may appear to the on-looker or even to the participants in a dispute.
- Adherence to strict timetable, even when needs arise to work for more hours to meet targeted time.
- An ability to communicate complex theoretical ideas in a manner that is readily understandable by a layman, support documents with fact and figures when necessary without giving an impression of superiority.
- Most essentially, an ability to appear objective and professional, even when taking part in the inherently partisan process of a court case.

The implication of the above is that a Forensic Accountant requires a high level of competence acquired through a process of training, integrity, honesty and an unparallel work ethics. These attributes are not only expected to be possessed but also to be brought to bear on the work attitude of Forensic Accountants.

THE CHALLENGES OF FORENSIC ACCOUNTING

The continuous advancement in technology especially as it relates to cable and internet services increases the clients' idea of the Forensic Accountant's capabilities. In fact, the speed of the internet and its ability to reveal anything about everything gives clients the impression that a Forensic Accountant can

uncover any type of suspected wrongdoing, no matter how little evidence there appears to be (Davis 2010). Furthermore, he states that the ability of a television Forensic Accountant to solve a complicated fraudulent crime within a one-hour show makes clients believe that the white collar crimes Forensic Accountants investigate are just as easily solved. However, this is not always the case in real life experiences as Forensic Accountants are confronted with some challenges that vary in nature and complexity.

Davis (2010) argued that Forensic Accountants are faced with the following challenges:

- (a) **The Sloth of real time Forensics:** In reality, a fraud case takes time to uncover (Davis 2010). The Forensic Accountant ferrets through documents to gather evidence necessary to establish a fraud and the perpetrator. The process of evidence gathering takes time in comparison with time it takes on television shows. However, high technological equipment designed to fast track the gathering of evidence in this regard is now available, but the cost of the equipment poses another big challenge.
- (b) **The Disappearing Paper Trail:** In the past, a good audit exercise was premised on effective paper trail of invoices, receipts, ledgers and other records. Today, technology is fast making the world a paperless society where necessary accounting records are now stored as encrypted computer files. The absence of paper trail occasioned by advances in technology, undoubtedly imposes limitation on evidence gathering and as such makes forensic accounting more difficult. To fully and reasonably access computer files, the Forensic Accountant requires an in-depth computer training. Again, computer files and hard drives can be used and deleted before investigation relating to those files can commence.
- (c) **Investigating in Cyberspace:** Davis (2010) states that a growing number of businesses operate solely online, so to investigate these companies, the Forensic Accountant must enter cyberspace, which poses a new set of problems. Suffice it to say that it is much easier for perpetrators of

crimes to hide their identities online, thus creating obstacles to the investigative disposition of Forensic Accountants.

In addition to the global challenges identified above, Forensic Accountants in developing economies like Nigeria may contend with some local obstacles viz:

- (i) Unavailability of equipment: Most governments in developing countries still battle with the provision of basic necessities of life such as roads, electricity, water, education, etc. They therefore give little or no attention to the establishment of forensic centres. As a result of expenses nature of the equipment, not many individuals can afford it. This, to a large extent, militates against the development of Forensic Accounting in yet-to-develop economies.
- (ii) No adequate training facilities: Many Nigerian Universities are yet to develop curriculum for training Nigerian Accountants in forensics. The absence of training facilities in Nigerian environment acts as a demoralizer to some student accountants who would like to pursue specialized courses in forensics.
- (iii) Suppression of frauds: It is a common phenomenon to see monumental frauds committed by people in the corridors of power in developing nations. Consequent on their privileged positions, they suppress the investigation of such frauds; a situation that impacts negatively on the zeal of Forensic Accountants to advance the practice.

RECOMMENDATIONS

In the light of observed obstacles especially in the developing countries, the following recommendations are put forward:

- (1) The National Universities Commission (NUC) should prevail on Nigerian Universities to develop curriculum for forensic accounting for students. This will help stimulate the interest of students in this emerging area in accountancy.
- (2) Professional Accountancy bodies, such as the Institute of Chartered Accountants of Nigeria, Association of National Accountants of Nigeria,

the Institute of Cost and Management Accountants, etc should establish forensic centres for their members. This will help equip their members with the necessary knowledge to handle the modern challenges in the profession.

- (3) Government should see the establishment of Accounting forensic centres as a major step towards the fight against corruption and therefore, invest on such centres. These centres when equipped should be shielded from societal influences through necessary legislations in order to live up to expectations.

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