A Qualitative Perspective of Practical Implication of Forensic Accounting for Fraud Detection and Prevention in Pakistan

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Abstract: The staple objectives of this study are to determine the importance and worth of forensic accounting in the context of Pakistan. Accounting frauds are increasing day by day, especially in the commercial sector of Pakistan. In the majority of Pakistani companies' accountants are inexperienced and nonprofessional and unable to understand the new financial reporting standard that becomes a cause of enhancing accounting frauds. This study followed a qualitative approach to collect data through interviews from both participants, including academicians and practitioners who are working in a prestigious academic institution and business organization where the concept of forensic accounting is taught and implemented with the right letter and spirit. Finding have been derived by transcribing data through coding and taking essential themes regarding the practical implementation of forensic accounting practices in Pakistan by using NVIVO software. The findings of the study indicated that forensic accounting scope is broad, especially regarding the increasing ratio of white-collar crimes and digital crimes, and in a near-future lot of opportunities will be arises in Pakistan in the context of forensic accounting. Both academicians and practitioners agreed that the importance of forensic accounting could not be overlooked, especially concerning digital and white-collar frauds both in the private sector and public sector organizations.

Keywords: Forensic Accounting, Fraud, Litigation Support, Digital Forensic, Civil, and Criminal Examination.

1. Introduction

Accounting frauds are increasing day by day, especially in the commercial sector of Pakistan. In the majority of Pakistani company's accountant are inexperienced and nonprofessional and unable to understand the new financial reporting standard that becomes a cause of enhancing accounting fraud. All these problems solved through forensic accounting that included criminal investigation and legitimate cover (Seda & Kramer, 2015). Interest in fraud investigation developed through the Treaty way Commission and report of the Committee of Sponsoring Organization (COSO, 1992). Through the Statement Auditing Standard (SAS) ratio of accounting and financial frauds can be reduced. All elements of financial fraud can be investigated through forensic accounting, and financial frauds can also be controlled through anti-fraud control programs.

Invalidation or misrepresentation can be counter through forensic accounting. Through non-financial information like interviews, essential themes can be derived that can be helpful to deduct misappropriation and fraud. Forensic accounting is the reporting function and covered by legitimate support of the concerned court. Forensic expert job is to identify and deduct all ways
through this financial and non-financial incurred. Forensic accounting not only considered the financial and accounting data but also concerned law that is constituted for the smooth working of the corporate sector and commercial sector. For the deduction of white-collar crime in the corporate sector and commercial organization, special skills and techniques are required that are only possible through forensic accounting.

Roots of Forensic accounting growing since 90 years back as the first articles on this topic was published in 1931. The financial frauds of the famous smuggler and gangster Al-Capone were deducted through the Forensic Accounting principles. Forensic Accounting can also be used to deduct the personal level frauds committed by family members within the family business. Sometimes one family member conceals his/her income from other family members, and this type of activity can also be deducted through the effective utilization of forensic accounting principles. In this situation, forensic expert interview concerned person and focused on relevant material and finally concluded and successfully counter this type of fraud with the proper coordination of legal experts.

2. Literature Review
First-time forensic accounting principles were applied to deduct the financial frauds and tax concealment of the famous gangster and smuggler Al-Capone in October 1931. After successfully deduction of white color crimes of famous gangster Al-Capone demand of forensic accounting enhancing day by day and becomes an integral part of agencies that are responsible for deducting white color crime in countries (Cohn, 2014; Kramer et al., 2017). Therefore an accountant of a commercial organization must have prescribed skills and knowledge about financial, non-financial information and the ability to identify doubtful transactions (Kumari Tiwari & Debnath, 2017).

Fraud
In Nigeria, the views of different parties, including the significant efficiency issues of similar nature like forensic accounting fraud control and production aid, were investigated ((Modugu & Anyaduba, 2013). One hundred forty-three participants from different sectors, which include auditor, Shareholder's analytics, and chief executives, were provided a survey report for the information. The results depict that forensic accounting and financial reporting have a relationship concerning internal control from the shareholders' perspective. The government should take the initiative to develop a policy for tracing the fraud and investigation should be implemented.

According to Nwaze (2012), by adopting the standard accounting procedure and using different accounting software, planned and unplanned frauds can be deducted, and counter and policies may be formulated in this regard. Besides this, it is a fact that due to the internet and other latest devices crime rate has been increased primarily white color crime.

Digital Forensic
As per Shavers (2013), in the modern business world, cybercrime ratio increasing day by day to the shifting manual transaction to electronic transaction and majority funds transfer transaction has been performed through the internet and mobile apps. Therefore by keeping in view the number of online transactions, it's the dire need of time to new laws, and policies must be formulated to counter the increasing ratio of cybercrimes, and the role of a professional accountant in this regard cannot be eliminated. Besides all these, more sensitive frauds can only be deducted through Digital Forensic Analysis (DFA)

Sivaprasad and Jangale (2012) mentioned that by using the latest technology and latest accounting software majority of the business organization taking the advantage and introducing good
governance practices in their organization. Not only frauds can be deducted, but competitive advantages can also be gained on their competitors through forensic accounting practice through the professional accountant.

Hsing and Souza (2012) investigated the role of information technology. They stated that IT not only plays a role in frauds and error deduction, but the majority of organizations improving their decision making as proper and timely information can be ensured by using the latest data by the minimum time duration. For decision making, one of the essential elements besides the physical assets, like machinery, equipment, premises location, human resource, is the timely availability of information that leads to better decision making. But due to the extensive use of information technology tool ratio of modern frauds like credit card frauds, money laundering techniques are also increasing day by day.

As per Curtis (2011), due to the extensive use of online financial transactions, some organizations committed frauds by stolen charges card data. Besides this, some hackers also hack the bank website and data and misused the data committed criminal activities in this regard.

**Litigation Support**

According to Arena and Ferris (2017), one of the major causes of increasing online fraud is weak legislation; due to outdated legalization, criminals take the advantages to get rid off from the law enforcement agencies. So, keeping in view, the latest fraud techniques laws of the country also are formulated as per fraud techniques. Kim and Skinner (2012) asserted that the organization must formulate its policies by keeping in view the latest techniques of white-collar crimes and digital frauds. By keeping in view, the situation, some latest models like probit and logit can be replaced with new models.

According to Romano (1991) used modern fraudulent dedicative techniques also depends upon the professional workplace and availability of professional and competent employee in the organization. The investigation process can be improved through the utilization of modern forensic tools and professional accounting personal availability. By using the current business forensic model ratio of white-collar crimes can be reduced at the optimal level. Besides this importance, the formulation of new laws in this regard cannot be set aside.

**Civil and Criminal Investigation**

As per Mugarura (2010), a balance must be created between civil frauds and criminal frauds through civil investigation and criminal investigation. Theft of employees and issuance of fraudulent securities, theft of financial statements and insurance frauds fall under the categories of civil frauds, whereas modern frauds like credit card frauds, cybercrimes, and online frauds created more threats that fall under the criminal frauds. So, keeping in view the category of frauds laws will be formulated by keeping in view that whether fraud is civil or criminal nature.

3. **Methodology**

Narrative model of the qualitative approach used and data will be collected through face to face interview as face to face interview helps capture some facial expression and body language. The sample of study will be the professional accountants who are working in various national organizations. However, the details of the target population who are engaged in forensic accounting practices in Pakistan are given in Table-1. After data collection interviews converted into transcriptions and essential themes are identified through the NVIVO software, and then
findings of the study are described and shares with relevant stakeholders to ensure the implementation of forensic accounting as per letter and spirit.

- Firms of Audit
- Firms of Accounts
- Accountants of the Corporate
- IFAP Member of high rank

Table 1: Demographics

| S. No. | Male/Female | Age | Designation                             | Location      |
|--------|-------------|-----|-----------------------------------------|---------------|
| 1      | M           | 47  | Chartered Accountants                   | Islamabad     |
| 2      | M           | 55  | Secretary IFAP                          | Islamabad     |
| 3      | M           | 68  | Cost and Management Accountant          | Lahore        |
| 4      | M           | 47  | Forensic Accountant                     | Faisalabad    |
| 5      | M           | 39  | Manager Tax & Audit                     | Lahore        |
| 6      | M           | 30  | Audit Officer                           | Lahore        |
| 7      | M           | 41  | Fraud Investigation officer (Allied Bank Ltd.) | Lahore    |
| 8      | M           | 27  | Audit Supervisor                        | Lahore        |
| 9      | M           | 43  | Fraud Investigation Officer             | Lahore        |
| 10     | M           | 45  | Accountant of forensic                  | Lahore        |
| 11     | M           | 37  | Chief Financial Officer                 | Lahore        |
| 12     | M           | 30  | Officer of Law and Taxation             | Lahore        |

4. Findings
Following finding have been derived by transcribing data through coding and taking essential themes regarding the practical implementation of forensic accounting practices in Pakistan by using NVIVO software.

Need and Importance of Forensic Accounting
As per the majority of academicians and practitioner's frauds and white-collar crimes can be deducted and countered through forensic accounting as it contains specific skills and knowledge.

From the responded the first one admitted that the skills of auditing and accounting are the part of forensic accounting, he said:

"Financial information of individual or organization can understand through the knowledge and skills of accounting, auditing, and investigation of the financial transaction. Forensic accounting can be used to deduct the frauds that are done through the digital devices or used of internet technology. Therefore, evidence of frauds that are deducted through digital devices can be presented in the court of law for further legal enforcement."

Computer Assisted Audit Techniques are the audit software which is relevant with the digital forensic accounting are helpful in questioning which is based on skepticism and brain said one of the responded, as he quoted:

"Through the utilization of forensic accounting practices, not only fraudulent transactions can be deducted, but a check can also be put on doubtful and skepticism transaction. Some different software like Computerized Assisted Audit Technique (CAAT) can also be used for deduction and prevention of digital frauds that are committed through the latest digital devices and technology".
One of the other participants also admitted that as the nature and methods of crimes are changing day by day, therefore, the demand for forensic accounting is increasing day by day, almost in each country, especially underdeveloped countries like Pakistan.

![Figure 1: Forensic Accounting Need and Importance](image)

**Forensic Accounting Standards**

As per the academicians and practitioners, forensic accounting can be a useful tool that can be used to counter the digital frauds and will be helpful in litigation matters with reference to criminal activities.

According to the respondent, evidence collected through the forensic accounting techniques not only helpful in deducting and preventing frauds but also be used in the court of law for better implementation of local laws.

"Yes I think forensic accounting will be helpful for not only a professional business owner but also for the chartered accountant, cost and management accountant, and for a lawyer as well with reference to the implementation of laws with letter and spirit. In first step forensic accountant identify a gray area and further working on an identified gray area to deduct the fraudulent transaction in some cases he put his life in danger primarily when he conducts the audit of some big gun who are involved in criminal activities and practices.

Other respondent admitted that

"Forensic audit scope is not limited up to the deduction and prevention of frauds but also ensures the implementation of the law with letter and spirit in some court cases."
Figure 2: Forensic Accounting Standards

Forensic accounting demand in future

As per the response of the majority of academicians and practitioners demand forensic accounting will be more in the future due to the increasing ratio of cybercrimes and white-collar crimes.

While deducting fraud, the forensic accountant must adopt different techniques admitted by one respondent, as he told:

"Yes, from my point of view, effectiveness or forensic accounting can also be used through the provision of understanding the methodology of forensic accounting, proper training of employees, and proper understanding of the nature of crimes be committed nowadays."

During the evaluation process of internal control, forensic accounting plays a vital role and also helpful admitted by one respondent, he said:

"Yes, I thing forensic accounting has to understand and learn various types of skills and knowledge regarding a fraudulent transaction, criminology, internal threats to the organization, external threats, loss of prevention different securities measure as well."
Hinders for forensic accounting

As per all academicians and practitioners, the practice of forensic accounting cannot be implemented in Pakistan due to some hinders.

In Public Service Sector of Pakistan frauds are at a high level as told by one of the respondents, he said:

"Yes, the importance of forensic accounting regarding the survival, growth, and stability of an organization cannot be eliminated, especially regarding the increasing ratio of cybercrime and white-collar crimes in Pakistan. Various types of frauds introduced with the improvement of latest technology advancement and forensic accounting deals with all types of frauds."

For smooth ethical behavior, forensic accounting is beneficial at the workplace said by one of the respondents, as he told:

"Yes, forensic accounting can also be useful regarding the implementation of a minimum prescribed standard of ethical behavior in an organization. A forensic accountant is not facing problems in the court of law due to the unavailability of compatible law with the latest crimes techniques but also facing the rude behavior of the management of the organization."

Employment opportunities as compare to other developed countries with Pakistan are very numerous here as quoted by one respondent, he quoted:

"Yes, I think in Pakistan opportunities for forensic accountant increasing with the increasing ratio of financial frauds and white-collar crimes in the private sector and public sector organization."

In Pakistan job opportunities to the forensic accountant are not available as told by one respondent, he quoted:
“No, I think employment opportunities for forensic accountant are the rare due worst financial crisis and high wage rate of a forensic accountant and unavailability and high cost of investigating tools used in forensic accounting.”

Figure 4: Forensic Accounting Demand in Future

5. Discussion
As per expectation, a different viewpoint between academicians and practitioners were found regarding forensic accounting in the context of Pakistan in all twelve interviews. This study was conducted regarding two viewpoints; one is the viewpoint of practitioners and one viewpoint of academicians concerning the implementation of forensic accounting practice in Pakistan for deducting and prevention of frauds. Both practitioners and academicians agreed that the importance of forensic accounting could not be overlooked in Pakistan as the ratio of financial frauds primarily white-collar crime. According to the respondent, the treatment of digital crimes and financial fraud is forensic accounting. Both of the participants admitted that forensic accounting mist is included in the curriculum of different education programs as financial crimes can only be deducted and prevented through the implementation of forensic accounting.

The difference is enormous between forensic accounting and general accounting as general accounting principles based on the General Accepted Accounting Principles (GAAP), whereas forensic accounting based on modern investigation principles and the latest investigation tools. According to both types of respondents, digital crimes and white-collar crimes can only be countered through the proper implementation of forensic accounting principles. As per the response of the respondent, forensic accounting starts as an internal and external audit close. As per some participants, forensic accounting can be used only for intellectual property frauds, and the scope of forensic accounting is limited regarding physical nature frauds. Some respondents consider white-collar crime as an opportunity for the young generation. However, there exist some barriers in the implementation way, for example, the high cost of a forensic accountant and the worst economic condition of the country.

Academicians claim that the majority of accountants are unaware of forensic accounting departments working Pakistan like the Institute of Forensic Accounting in Pakistan (IFAP) and Institute of Forensic Accounting in Azad Jammu Kashmir (IFAAJK). Some practitioners claim
that the scope of forensic accounting is limited now. Still, in the future, there will be more opportunities in this field, especially in those organizations who are responsible for countering the white-collar crimes and digital crimes in Pakistan. As per some practitioners, the ratio of white-collar crimes and digital frauds is increasing day by day in the country, and only the Institute of Chartered Accountant of Pakistan (ICAP) and the University of Lahore sponsoring and working for the implementation of forensic accounting in Pakistan. This study also indicated that there is no difference between academicians and practitioners regarding the implementation of forensic accounting in Pakistan.

6. Conclusion
The staple objectives of this study are to evaluate the importance and worth of forensic accounting in the context of Pakistan. In this study, narrative model of the qualitative approach is used through telephonic and face to face interviews. In this study, data collected through interviews from both participants, including academicians and practitioners who are working in a prestigious academic institution and business organization where the concept of forensic accounting is taught and implemented with the right letter and spirit. The findings of the study indicated that forensic accounting scope is broad especially concerning increasing ratio of white-collar crimes and digital crimes, and in a near-future, a lot of opportunities will arise in Pakistan in the context of forensic accounting. Besides all this, some respondents indicated that the principles of forensic accounting could not be implemented in Pakistan with the right letter and spirit due to the worst economic condition and high wage rate of forensic accountant/professional. Both academicians and practitioners agreed that the importance of forensic accounting could not be overlooked, especially regarding digital and white-collar crimes both in the private sector and public sector organizations.

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**APPENDIX**

**Proposed Model**

In this study Narrative Study Model that is one of the Traditions of qualitative research, has been applied, and data collected through Telephonic and face to face interviews.

**Interview Protocol:**

Details of the interview protocol used in this study is given below.

| Sr. # | Interview Protocol |
|-------|--------------------|
| 01    | As per the majority of academicians and practitioner's fraud and white-collar crimes can be deducted and countered through forensic accounting as it contains specific skills and knowledge. |
| 02    | As per the academicians and practitioners, forensic accounting can be useful tools that can be used to counter the digital frauds and will be helpful in litigation matters regarding criminal activities. |
| 03    | As per the response of the majority of academicians and practitioners, the demand for forensic accounting will be more in the future due to the increasing ratio of cybercrimes and white-collar crimes. |
As per all academicians and practitioners, the practice of forensic accounting cannot be implemented in Pakistan due to some hinders mentioned above.